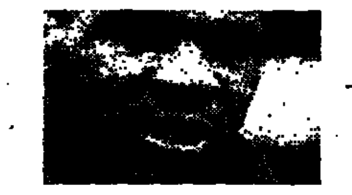
FINANCIAL TIMES

Altered landscape
Changing the rules in Mexico
Page 13

Tug of war
A tale of two Indonesias
Page 8

Bangladesh
Reform delayed by politics
Survey, Page 21-24



TOMORROW'S
Weekend FT
The fight game on the ropes

World Business Newspaper — FRIDAY MARCH 24 1995 — D8523A

IMF drops plans for new issue of drawing rights

Moves to pump millions of dollars into the international economy through a new issue of special drawing rights, the International Monetary Fund's reserve asset, were abandoned after developing nations, which backed the plan, failed to reach agreement with the G7 industrialised countries. The IMF may instead expand arrangements under which it may borrow from industrialised countries, to include developing countries which have large central bank reserves. Page 14

Waigel plans tax changes: German finance minister Theo Waigel proposed radical changes in the country's tax structure to support the less well off and provide investment incentives. Page 14

Guinness profits at top of forecasts: UK spirits and brewing group Guinness, which returned disappointing interim results in September, reported full-year profits at the top end of forecasts at £915m ($1.5bn). Page 15; Lex, Page 14; Guinness share deal helps LVMH post 80% advance, Page 17

US and UK in air traffic stalemate: Negotiators from the US and UK have reached stalemate on how to liberalise air traffic between the two countries. Negotiators are expected to meet in Washington next month in a further attempt to conclude a deal. Page 14

Lufthansa back in the black: German state-owned airline Lufthansa reported pre-tax profits of DM306m ($218.6m), helped by falls in labour and fuel costs, following a deficit of DM53m in 1993. Page 17

Blunders that bust a bank

Exactly a month after the Baring crisis struck, FT reporters tell the full story of the errors and oversights that cost nearly £1bn ($1.64bn) in losses – and sacrificed the independence of Britain's oldest merchant bank. Page 16; Bank consulted on futures advances, Page 15; Barings BV hearing to resume, Page 20

Ruggiero confirmed as WTO head: Former Italian trade minister Renato Ruggiero was confirmed as head of the World Trade Organisation after African countries agreed to his appointment. Page 7

Hutchison Whampoa 27% ahead: Diversified Hong Kong conglomerate Hutchison Whampoa reported a 27 per cent increase in annual net profits to HK$8bn (US$1.03bn) on a 21.9 per cent rise in turnover. Page 19

Chirac's lead slips: Jacques Chirac's lead in the French presidential race has slipped slightly, according to two opinion polls which also showed that more than 40 per cent the French electorate were still undecided about their choice. Page 2; Editorial Comment, Page 13

Gore seeks Arab support for N-treaty: US vice-president Al Gore arrived in Israel after telling Arab states that Washington wanted them to back an extension of the Nuclear Non-Proliferation Treaty despite Israel's refusal to sign it. Page 4

J.P. Morgan moves power to regions: US commercial bank J.P. Morgan announced a shake-up which will concentrate power in the hands of three new regional executives, countering a trend within the banking industry to centralise control. Page 15

Japanese brokers forecast losses: The severity of the slump in the Japanese stock market was underlined when the country's four leading stockbrokers forecast losses before extraordinary items and tax in the financial year ending next week. Page 15

Metallgesellschaft board under fire: Metallgesellschaft chairman Kajo Neukirchen defended the German company against charges from shareholders that the US oil contracts which almost caused its collapse had been wound up in a way that sharply increased the losses. Page 18

Dresser to buy North Sea Assets: UK oil services company North Sea Assets recommended a £19m ($31m) cash offer from Dresser Industries, the Dallas-based energy resources company. Page 20

Cantona to appeal against jail sentence: Manchester United football player Eric Cantona was bailed in London pending an appeal against a two week jail sentence imposed for attacking a spectator. At the hearing, the magistrate told the Frenchman that the sentence was appropriate because he was a high-profile public figure looked up to by young people. Cantona had admitted common assault.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,082.64	(-0.35)
Nasdaq Composite	881.81	+2.71
Europe and Far East		
CAC-40	1,795.66	(-22.32)
Dax	1,936.07	(-48.02)
FT-SE 100	3,136.4	(-3.3)
Nikkei	15,813.4	(-91.44)

US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.848%
Long Bond	$102\frac{1}{32}$
Yield	7.433%

OTHER RATES

UK: 3-mo interbank	$6\frac{13}{16}$%	($6\frac{5}{8}$%)
UK: 10 yr Gilt	$108\frac{13}{32}$	($100\frac{1}{32}$)
France: 10 yr OAT	96.97	(96.92)
Germany: 10 yr Bund	101.37	(101.23)
Japan: 10 yr JGB	105.601	(105.454)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.17	(17.05)

GOLD

New York: Comex		
(Apr)	$384.3	(383.5)
London:		
close	$383.8	(382.4)

DOLLAR

New York lunchtime		
£	1.594	
DM	1.40475	
FFr	4.9745	
SFr	1.16495	
Y	88.25	
London:		
£	1.5937	(1.588)
DM	1.4015	(1.4061)
FFr	4.9761	(4.9855)
SFr	1.1609	(1.1665)
Y	88.15	(88.9)

STERLING

DM	2.2335	(2.2328)
Tokyo close:	Y 88.75	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSk60
Cyprus	CC1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Eurocopter clinches helicopter deal worth $235m

Sikorsky and Westland miss out on contract to supply United Arab Emirates

By Bernard Gray in London

Eurocopter, the Franco-German helicopter group owned by Aérospatiale and Daimler-Benz Aerospace, yesterday won a hard-fought battle to supply the United Arab Emirates with 14 anti-submarine helicopters in a deal worth $235m.

Westland of the UK, which was strongly tipped to win the order with its Super Lynx helicopter, said it was disappointed, and that it showed how tough conditions were in international arms markets.

Both Westland and Sikorsky of the US had been struggling to beat Eurocopter in the closing hours of the Idex international defence exhibition in Abu Dhabi. A flurry of last-minute offers meant that a decision was postponed on Wednesday.

Several defence executives at the show claimed that Eurocopter had sold the helicopters at a loss to secure the business. However, a Eurocopter spokesman said: "It is absolutely not true."

The Eurocopter deal is to upgrade five of its Cougar army helicopters, already owned by the UAE, to give them anti-submarine capability, and to supply seven new Panther anti-submarine warfare helicopters. Both will carry missiles made by Aérospatiale.

Heavyweight political lobbying had backed both the British and US bids. On Wednesday Mr William Perry, the US defence secretary, visited the exhibition and made a point of stopping at the Sikorsky stand. Earlier in the week Mr Roger Freeman, the UK defence procurement minister, had been in the UAE to support the Westland bid.

The helicopter contract had originally been estimated to be worth between $300m and $350m, and all sides acknowledged that the eventual deal at $235m was very tightly priced.

"This was an extremely tough negotiation," said a spokesman for Eurocopter.

A Westland spokesman said: "Conditions are very tough at present and there is a level below which it does not make sense to do business."

Interest in anti-submarine warfare has increased markedly in the Gulf since Iran bought two Kilo-class diesel submarines from Russia last year. However, negotiations had been under way on the UAE order since 1993.

There was surprise in the British camp that the order was placed at the Idex show. The UK is currently negotiating a mutual defence pact with the UAE and any orders were expected to have been held up until that had been signed. One British official said before the announcement that, "we do not expect decisions to be made which would affect our chances until the agreement is signed".

One exhibitor said: "Business is tough. A few years ago some of the companies here would not have even bothered to bid for some of these small orders."

Arms build-up gives Gulf states the jitters, Page 4

Ministers acknowledge growing inability to resolve their differences

Kozyrev says US 'honeymoon' is over

By Frances Williams in Geneva

Mr Warren Christopher, US secretary of state, and his Russian counterpart, Mr Andrei Kozyrev, failed yesterday to resolve the issues dividing them, but stressed the importance of continuing co-operation.

"The honeymoon has come to an end," Mr Kozyrev said in Geneva. The US and Russia had entered "a sobering period", and their post-cold war honeymoon had ended "not in divorce, but in a growing inability to resolve problems that we face".

During the meeting, Mr Christopher had emphasised the US concern over the war in Chechnya and Russia's planned sale of nuclear reactors to Iran. But he said the US-Russian relationship remained constructive.

The meeting came after continued disagreement between the US and Russia over plans to expand Nato to include eastern and central European countries. Mr Boris Yeltsin, the Russian president, has condemned the plans, warning that they could disrupt rather than enhance European security.

Mr Kozyrev said he had presented a new peace plan for former Yugoslavia to Mr Christopher during their talks. This would be discussed at the US-Russian summit meeting between Presidents Clinton and Yeltsin in Moscow in May.

He did not elaborate, but made clear the plan was not intended to disrupt the peace efforts of the five-nation contact group, which consists of the US, Russia, Britain, France and Germany.

Russia's pro-Serbian stance has been blamed for undermining the group's effectiveness, but Mr Kozyrev said yesterday he wanted the contact group to remain "cohesive and united".

Mr Christopher and Mr Alain Juppé, the French foreign minister, agreed on Wednesday that the contact group should be reactivated with the immediate aim of prolonging the ceasefire in Bosnia. The group will meet at senior official level in London on Monday, and the Russian initiative will be discussed. "You can call it our new plan," Mr Kozyrev said. "A lot of ideas are afloat to try to save the peace process."

The Russian plan apparently involves the recognition of Bosnia and Croatia by Serb-led Yugoslavia in return for the simultaneous lifting of UN sanctions. On Wednesday Mr Juppé proposed a "step by step" approach under which sanctions would be progressively eased with each step taken by Belgrade towards recognising its neighbours.

Yesterday's meeting produced only one agreement – to set up a special working group on non-proliferation issues in preparation for the May summit.

Mr Christopher said discussions were continuing on "a more robust relationship" between Russia and Nato. Stressing that there was no threat to Russia in the planned "deliberate and careful" approach to Nato expansion, Mr Christopher said a letter from Mr Clinton to Mr Yeltsin would address the Russian-Nato link "in a preliminary way".

Mr Kozyrev played down a US refusal to turn the Group of Seven summit in Halifax, Nova Scotia, in June into a Group of Eight meeting with Mr Yeltsin. Mr Christopher said that, as last year, Mr Yeltsin would participate in the political, but not economic, discussions of the summit.

Cooler climate: Warren Christopher (left) and Andrei Kozyrev take time out from yesterday's talks Reuter

Sandoz to hive off industrial chemicals division

By Danny Green and Ian Rodger in Basle

Sandoz, one of Europe's largest pharmaceuticals and chemicals groups, is to demerge its industrial chemicals division, in a first step towards concentrating solely on its pharmaceuticals and nutrition businesses.

The demerger is the latest in a series of moves by the world's chemicals companies to concentrate on core activities. Mr Marc Moret, chairman, said it would allow management "to concentrate its energies, resources and creativity in the priority areas. Health and nutrition, and the synergy we see in linking the two, will shape the future growth patterns of the group."

Sandoz also revealed that its net income grew 2 per cent last year to SFr1.7bn ($1.46bn) on sales up 5 per cent to SFr15.9bn. The directors have recommended a marginal increase in dividends to SFr12 from SFr11.60 adjusted for a share split.

The form of the demerger of the industrial chemicals division is yet to be decided. Mr Moret said he hoped that entrepreneurs with interests in its products would come forward. "We do not want it to be broken up."

He hoped a deal would be completed in the second half of this

Continued on Page 14
Lex, Page 14

German stocks hit as dollar falls to new low against yen

By Philip Coggan and Philip Gawith

The dollar fell to a post-second world war low against the yen yesterday amid renewed beliefs that the US is happy to sanction a weaker currency.

Rumours that the Bank of Japan was intervening in the market to support the dollar halted the US currency's fall at Y87.95, and it closed in London at 88.15.

Before yesterday's fall, the dollar had enjoyed a period of stability following a concerted effort on the part of politicians and central bankers in leading industrial countries to talk up its value.

Sentiment towards the US currency, however, has remained resolutely negative, and was aggravated by the poor set of February US trade figures released on Wednesday.

The weakness of the dollar spilled over into equity markets, with the German stock market hardest hit by fears that the strong D-Mark will hurt company earnings.

The Dax index of 30 leading shares ended down 48 points, or 2.4 per cent, at 1,936.07, its lowest closing level since October 1993. It continued its downward trend in post-bourse trading.

"There is particular concern in Germany that the strength of the D-Mark is a competitive disadvantage for many German cyclical stocks and will depress export earnings," said Mr Oliver Kamm, European strategist at the London broker, James Capel.

Share prices may also have been affected by presentations to investors by Deutsche Bank Research, which cut its 1995 target range for the Dax from 2,600-2,800 to 2,400-2,500.

Other European stock markets were affected by German weakness. In Paris, the CAC-40 index fell 22.32 points, or 1.23 per cent, at 1,795.66. In London, the FT-SE 100 index, shed an initial 30-point gain to finish 3.3 points lower at 3,136.3.

Foreign exchanges have been fairly quiet since the dollar and most European currencies fell to fresh lows against the D-Mark and the yen on March 8. But traders and investors are expecting further currency turbulence in the weeks ahead.

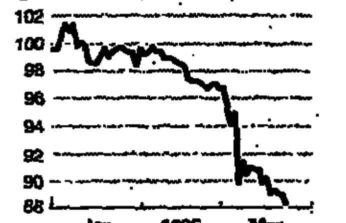
Underlying the dollar's weakness is the growing suspicion that the Clinton administration is returning to its earlier policy when it actively talked the dollar down.

Many analysts believe the administration is untroubled by a weaker dollar provided US bond and equity markets remain fairly stable, as they have.

"There is a creeping suspicion within the market that White House policy is no longer interested in seeing a stable dollar-yen rate," said Mr Jeremy Hawkins, chief economist at the Bank of America in London.

Dollar

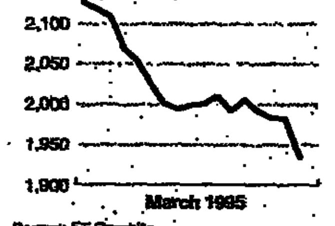
Against the yen (¥ per $)



Source: FT Graphite

German equities

DAX Index



Source: FT Graphite

Currencies ....Page 27
World stocks ....Page 36

CONTENTS

Invading Turks make new enemies

By John Barham in Zakho, northern Iraq

"It is so quiet here," said the Turkish soldier yesterday, looking across the fields where some of his comrades were lounging in bright spring sunshine. "There is no fighting here, there are no PKK here."

On Monday the Turkish army swept into northern Iraq with a 35,000-strong force in search of bases of the Kurdistan Workers' party (PKK). But the soldier, like many international observers, is still guessing at his commander's reasons for the incursion, given that the PKK's presence in the area now occupied by Turkish troops was always limited.

However, the air force has been active. Yesterday, Turkish jets bombed 10 villages in the Barwani region of northern Iraq. Kurdish and international aid organisations in northern Iraq say nobody died but reported numerous injuries.

An official of the Kurdistan Democratic Party (KDP), the Iraqi Kurdish group which held sway in the area until the Turkish incursion, said: "The Turks know that these were not PKK villages."

Kurdish and western organisations say they are receiving a constant stream of complaints from villagers of torture, beatings, looting and destruction of homes and property by Turkish troops.

However, the massive presence of Turkish forces makes it hard to corroborate many of these reports. Troops turned journalists away from a village suspected of harbouring PKK guerrillas when they tried to investigate reports of maltreatment by Turkish troops.

A group of United Nations police based in northern Iraq also tried to reach the village but were turned back by Turkish troops. An officer told them: "I am sorry, you first ask permission from a Turkish colonel." The UN officer nodded his head meekly and said: "Yes, okay".

Turkish soldiers are reliably reported to have arrested six Kurds of Turkish origin and deported them to Turkey, suspecting them of involvement with the PKK.

Local Kurds, who profess little love for the PKK and indifference to the Turks, are becoming angry at their rough treatment by the Turkish army.

One villager from Hizaw, close to the Turkish frontier, said soldiers had severely beaten several of his neighbours. Another said troops had demolished nearby houses. International organisations say they knew of two houses burned down by Turkish troops. A teacher said troops had confiscated schoolbooks, apparently suspecting them of containing PKK propaganda.

The Turkish troops' lack of sensitivity is turning the local Kurds' resignation to their incursion into outright hostility. A western observer said: "The Turks are making the same mistake here that they made in south-eastern Turkey, where their brutality drove people into the arms of the PKK. There is a very real danger that any day now, if the Turks do not tone down their brutality, there will be attacks on them."

German foreign minister Mr Klaus Kinkel warned Turkey yesterday that its incursion into Iraq could impede a planned customs union between the EU and Turkey, Reuter reports. Mr Kinkel, in Ankara for a meeting between Turkey and the EU "troika" of Germany, France and Spain, said: "The Turkish armed forces must withdraw from northern Iraq."

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Growing pressure on Claes to quit

By Lionel Barber in Brussels

The future of Mr Willy Claes, secretary general of the Nato alliance, looks increasingly shaky as a result of fresh disclosures in the Agusta bribery scandal, which has shaken Belgium's political elite.

This week's resignation of Mr Frank Vandenbroucke, Belgium's foreign minister and a former top Flemish Socialist party colleague of Mr Claes, has put pressure on the Nato secretary general to clarify what he knew about illicit or suspicious party financing in the 1980s.

Mr Claes has so far been able to ride out public criticism in Belgium because Nato member governments, notably the US, have either expressed confidence in him or dismissed the Agusta affair as an internal Belgian political problem.

But at Nato headquarters yesterday, there was unease that a fresh disclosure could make Mr Claes's position untenable as the Nato alliance continued to be a "prisoner of the Belgium dynamic". A Nato diplomat said: "I must say the secretary general is not handling this very well. He is running away from the press with guilt written all over his face."

The Agusta affair goes back to December 1988 when Agusta, the Italian helicopter maker, tried to sell 46 reconnaissance and attack models to the Belgian army. It later emerged that the Italians had offered a "gift" of BFr50m ($1.7m) to the Flemish Socialist party as part of its successful campaign to win the contract.

In Belgium, Volksuni, the populist Flemish party, called yesterday for Mr Claes's resignation. "Those responsible for Belgium's international position lack all credibility at the moment. Only the swift departure of Willy Claes can protect Belgium against the loss of prestige on the world stage."

In neighbouring Netherlands, right-wing liberal MPs called for Mr Claes to resign or stand aside while the Belgian investigating magistrates complete their inquiries. However, the Dutch Foreign Ministry repeated its statement that Mr Claes's position was not at risk.

"The resignation of Mr Vandenbroucke does not change our position," said the ministry. "Mr Claes currently enjoys our support."

A meeting of Nato ambassadors in Brussels, which was attended by Mr Claes, apparently did not discuss the Agusta affair or possible responses. The strategy of the secretary general appears to be to "tough it out", maintaining a low public profile until the Nato foreign ministers' meeting in May and keeping public silence on the affair.

Heavy price of past follies, Page 12

Chirac's lead slips as he enters spotlight

By David Buchan in Paris

Mr Jacques Chirac's lead in the French presidential race has slipped slightly, according to two opinion polls published yesterday which also showed that 40 per cent or more of the French electorate were still unsure or undecided about their choice.

According to an Ipsos survey for Le Point weekly, Mr Chirac scored 25 per cent, two points down from a fortnight ago, with Prime Minister Edouard Balladur steady at 20 per cent and Mr Lionel Jospin, the Socialist candidate, dropping a point to 19 per cent.

A Louis Harris poll for today's Infomatin newspaper showed the same two-point slippage for Mr Chirac, down to 26 per cent, but with Mr Jospin up a little to 22 per cent and Mr Balladur climbing to 18 per cent.

Given a margin of error of 2-3 points on such polls, the precise numbers in these polls are less important than the fact that they show that, as clear front-runner, Mr Chirac is now inevitably attracting critical scrutiny from all quarters on his policy pronouncements, and that Mr Balladur appears to have steadied his descent.

A measure of the confidence of the Chirac campaign came yesterday when Mr Alain Juppé, the pro-Chirac foreign minister, appealed for the divided French right to reunite after the final run-off election on May 7. "We must prepare for after the second ballot... we will have to govern in a spirit of unity," Mr Juppé, tipped for prime minister if Mr Chirac wins, told Le Monde newspaper yesterday.

Meanwhile, Mr Charles Pasqua, the interior minister, said yesterday he had asked the Justice Ministry to start criminal proceedings against L'Express weekly for alleging that one of his associates had contravened arms sanctions against Iran by arranging the shipment of French missiles to Tehran.

Mr Balladur's office said a batch of six missiles had been seen to Cyprus last October with a ban on their re-export. A Nicosia spokesman confirmed receipt of these missiles, but said they were for Cyprus' self defence and would indeed be displayed in a military parade tomorrow. The Algerian government also denied L'Express's claim that it had acted as intermediary in any missile transfer to Iran.

Editorial comment, Page 13

Pasqua: legal protest

Kinnock still airborne over open skies

Commissioner ready for long battle over EU airline deals, writes **Caroline Southey**

The project to draw Europe into an ever closer union has proved difficult in many industries, none more so than aviation. National pride remains the driving force behind aviation policy where national carriers still symbolise national virility.

None of this has deterred Mr Neil Kinnock, the EU's transport commissioner who, in his first three months in the job, has served notice he wants member states to cede negotiating rights to Brussels. And he has threatened to take six European countries to court if they sign bilateral air transport deals with the US.

The matter comes up again at a transport ministers meeting in June, but the battle will go on much longer.

US and EU aviation relations have been fraught with tensions. The US has been cold-shouldered in its efforts to negotiate an EU-wide deal, which would give US airlines the right to fly between EU airports, while larger airlines such as Air France and British Airways have been unable to agree bilaterally. Washington's only success was an "open skies" air transport deal with the Dutch in 1992.

Alarm bells were sounded when Mr Kinnock's attention was drawn to a letter from Washington written in December inviting six EU countries to negotiate bilateral "open skies" deals. The letter made clear that the US wanted all six deals concluded simultaneously. It was all, or none.

US officials argue Washington's approach was "more an expression of frustration". "We have been trying to negotiate an open skies deal for a long time. We have been pushing for negotiations in a multilateral forum with the EU," a US official said. As the UK and Germany did not want to talk about open skies deals "the only way we could do it was by starting small".

So far Washington's tactic is working. The six – Belgium, Denmark, Luxembourg, Austria, Sweden and Finland – unanimously rejected a request from Mr Kinnock to desist from further negotiations until a common EU position had been established. Austria, Belgium and Luxembourg have signed preliminary deals.

Mr Kinnock's next line of defence was to take his case to the EU's transport ministers. The ministers gave some ground. They agreed the matter needed to be reviewed but remained sceptical on the negotiating mandate. The EU's aviation group, made up of commission and council experts, will assess how community interests might be harmed by the US deals.

Mr Kinnock's starting point is the 1993 European open skies package which allowed European airlines to operate under a single air licence and to fly between any EU country. In its final phase, which comes into effect in April 1997, airlines will be free to run domestic services in other member states.

In his campaign, Mr Kinnock has focused on two areas. The first is that the "model" agreement presented by the US as the basis for negotiations ignores a number of EU regulations and in some instances breaks EU single market law.

Mr Kinnock has cited seven instances where EU regulations have been omitted from the "model" agreement. These include arrangements for slot allocation, a code of conduct for computer reservation systems and foreign ownership limitations.

The second, trickier, issue is whether the deals pose an economic threat to the EU's aviation sector. Without a cogent economic case Mr Kinnock will not persuade member states to give up their traditional right to negotiate the exchange of traffic routes.

Such a threat would come from the six signing up to so-called "fifth freedom rights" which the model agreement seeks. This would allow US airlines to fly to other EU destinations from an EU airport.

The commission fears that this access will allow US airlines to increase their share of the transatlantic market. "The issue we have to address is who will be the biggest players in the transatlantic market in 15 years time. Will they be American or will they be European?" a commission official said.

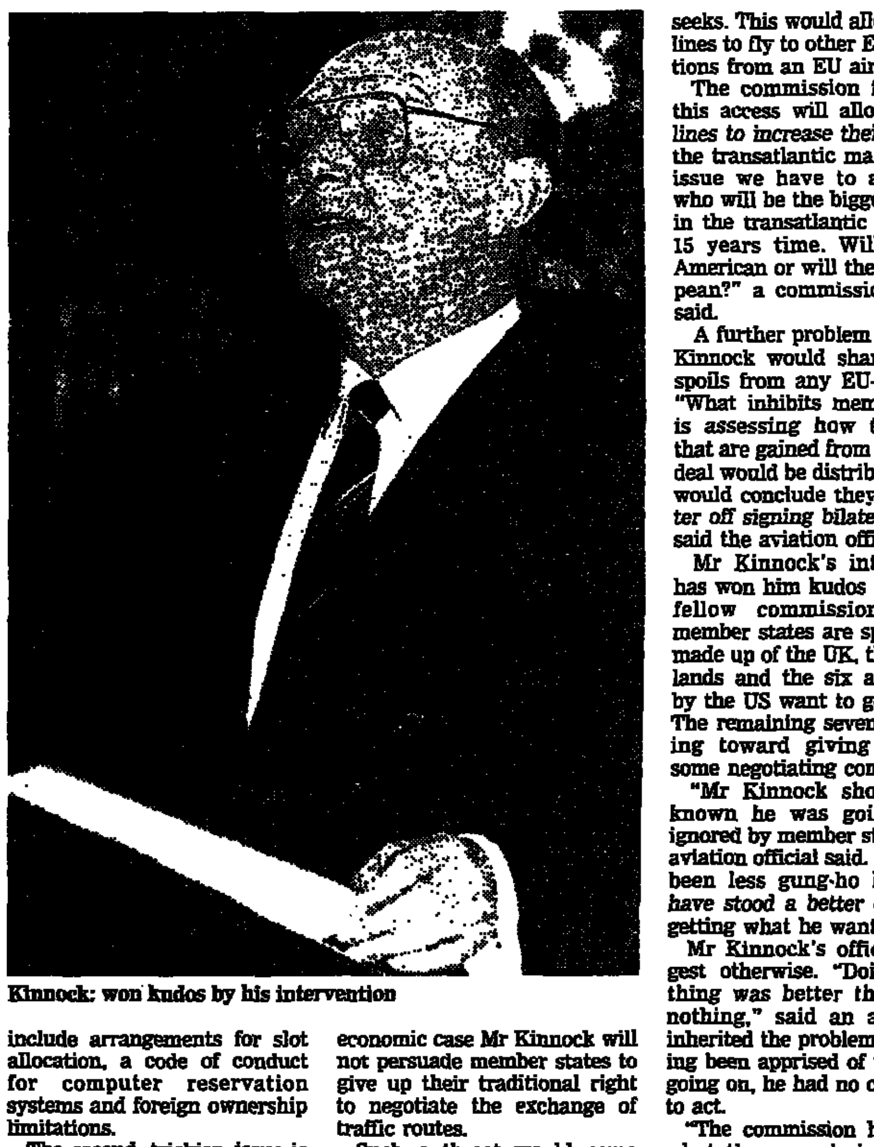
A further problem is how Mr Kinnock would share out the spoils from any EU-wide deal. "What inhibits member states is assessing how the rights that are gained from a common deal would be distributed. Most would conclude they were better off signing bilateral deals," said the aviation official.

Mr Kinnock's intervention has won him kudos among his fellow commissioners. But member states are split. Eight, made up of the UK, the Netherlands and the six approached by the US want to go it alone. The remaining seven are leaning toward giving Brussels some negotiating competence.

"Mr Kinnock should have known he was going to be ignored by member states," the aviation official said. "If he had been less gung-ho he would have stood a better chance of getting what he wants."

Mr Kinnock's officials suggest otherwise. "Doing something was better than doing nothing," said an aide. "He inherited the problem and having been apprised of what was going on, he had no choice but to act.

"The commission has to do what the commission has to do. Its job is to protect the broader interests of the union. That is just what he is doing."



Kinnock: won kudos by his intervention

German exporters feeling the squeeze

Industry squirms as the D-Mark flourishes and pay goes up, writes **David Marsh**

This month's wage agreements setting a 4 per cent pay increase as the 1995 norm across German industry have come at just the wrong time for many German exporters.

Coinciding with a competitive squeeze caused by the rising D-Mark, recent pay deals in such key sectors as engineering and chemicals have produced a flurry of anxiety among German industrialists over rising production costs.

Germany's overall labour costs (expressed in D-Mark terms) are the highest in the world, but companies have made great strides in regaining competitiveness in the last two years through a combination of moderate wage rises and sharp increases in productivity.

The recent rises in the D-Mark and in wage costs, however, bring corporate Germany renewed handicaps. This is almost certain to have an impact across the whole economy, which now faces a less buoyant growth outlook this year and possibly in 1996.

Summing up general pessimism about the 1995 wage round, the finance director of a large German chemicals group says the 4 per cent agreement is 1-1.5 points above the level he had been budgeting for.

He rejects claims by IG Chemie, the normally moderate chemical trade union, that agreements adding up to double the Bundesbank's 2 per cent inflation target can be financed simply through increases in productivity.

"This will increase our determination to push through restructuring and rationalisation measures," he says. The negative effect on Germany's registered unemployment total of 3.8m will be compounded, he says, by an increased tendency for corporate Germany to transfer jobs abroad.

Mr Hans Peter Stihl, president of the Federation of German Chambers of Industry and Commerce, said this week Germany's 1995 growth was likely to dip around a point below the previous consensus forecast of 3 per cent. The German Machine Tools and Plant Manufacturers Association has said that a continuation of the D-Mark's strength, combined with unexpectedly high wage increases, could produce a "catastrophe" for its members' order books.

The danger of a German slowdown could be heightened if European countries which are large purchasers of German exports take austerity measures to counter currency weakness.

Action in Germany's main trading partners to tighten fiscal or monetary policy would hit Germany at once because of the close link between export confidence and the buoyancy of the economy, says Mr Kermit Schoenholtz, European economist at Salomon Brothers in London.

Economists and industrialists recall that the sharp German recession in 1993 was sparked off above all by the depressing of business opinion caused by the D-Mark's rise during the European monetary unrest in autumn 1992.

They fear that a repeat performance – albeit with a less severe fall-out – could now be in store.

The likelihood of austerity measures is seen as particularly large in Italy: the D-Mark has risen by 18.6 per cent against the lira since early December (compared with 12.2 per cent against the dollar, 10.4 against sterling and 3.4 against the French franc).

If Italy and other countries move in this direction, Mr Schoenholtz believes the effects across Europe will be amplified in "asymmetric" fashion. This is because countries with stronger currencies such as Germany or the Netherlands will not take expansionary steps to compensate for contractionary measures put into force elsewhere.

Another gloomy view comes from Mr Hans-Olaf Henkel, previously a top executive at the IBM computer company, who became president of the Federation of German Industries towards the end of last year.

He terms as "depressing" the landmark deal in the engineering sector a fortnight ago. Although the two-year agreement in engineering at least makes industry's future costs more easily forecastable, he says many German businesses are now "fighting on two fronts at once".

Relentless downward pressure on prices from foreign competitors benefiting from cheapening currencies has coincided with an unexpectedly high increase in this year's labour costs, he says. "We have low prices and high costs."

Larger companies can escape from cost pressures through transferring production abroad, he said. "But what happens to the small and medium-sized companies? And what about the unemployed?" worries Mr Henkel.

Mr Henkel expected some help from the Bundesbank last week in the shape of a small cut in its key interest rates, but he – like other industrialists – was disappointed.

Hopes of a cut in rates are now focused on the Bundesbank council's next fortnightly meeting on March 30. The Bundesbank's job, however, is to fight inflation, not to support industrialists' short-term confidence – and the central bank's next move on interest rates (probably not before May-June) still looks more likely to be up than down.

Labour costs in world manufacturing 1993 (D-Marks)

	Labour costs per hour	Direct pay	Social costs
West Germany	42.67	23.44	19.22
Switzerland	39.55	26.05	13.50
Japan	37.30	21.34	15.96
Sweden	29.86	17.42	12.44
France	28.50	14.71	13.78
US	27.84	19.46	8.39
Italy	27.13	13.54	13.58
Great Britain	22.15	15.65	6.50

Source: Institut der Deutschen Wirtschaft

EUROPEAN NEWS DIGEST

Bosnia attacks grow fiercer

Bosnian government forces yesterday stepped up their offensive against Bosnian Serbs, reportedly gaining ground in the northeast of the country. According to Mr Alexander Ivanko, United Nations spokesman, "intense fighting and shelling continue to the east and northeast of Tuzla", the second biggest government stronghold in Bosnia. Meanwhile, in a frantic attempt to salvage the ceasefire, international mediators in Belgrade yesterday met President Slobodan Milosevic of Serbia. As efforts to break the diplomatic deadlock intensified, the independent Belgrade news agency Beta reported that peace envoys Lord Owen and Mr Thorvald Stoltenberg also travelled to Serb-held Bosnia for talks with Mr Radovan Karadzic, the Bosnian Serb leader. The meeting came after Mr Karadzic threatened to order a counter-offensive against his Moslem foes if the international community continued to tolerate their assault on Serb positions.

In the latest fighting, more than 2,700 detonations were reported in a 16-hour period round Mount Majevica and Stolice Heights, the site of a strategic communications tower held by Serb forces. "The situation is assessed as full combat, not as a ceasefire violation," Mr Ivanko said in Sarajevo. In the fourth day of their offensive, the mostly Moslem Bosnian government army claimed to have advanced up to 3km. UN officials said reports appeared to support Bosnian claims of an advance. *Laura Silber, Belgrade*

Peseta in 'comfort zone'

Mr Felipe González, Spain's prime minister, said yesterday the peseta was comfortable in its new fluctuation band in the European exchange rate mechanism following its 7 per cent devaluation early this month and he dismissed the possibility of it being forced out of the European Monetary System.

Delivering a confident message that economic growth was on line, Mr González said the currency turmoil would not affect domestic recovery to "any significant degree" and he forecast gross domestic product would grow 3 per cent this year, above the official estimate of 2.8 per cent. He added the government would meet its 1995 target of a 5.9 per cent budget deficit for the consolidated public sector, down from 6.7 per cent last year. It would reduce headline inflation to 3.5 per cent despite a February price surge that brought the 12-month inflation increase up to 4.8 per cent. The peseta remained weak but steady in Madrid at Pta92.20 against the D-Mark, unchanged from Wednesday's close. *Tom Burns, Madrid*

French executives investigated

Two French executives have been placed under formal investigation by Versailles magistrates in a probe into FFr54m ($10.8m) in false invoicing for public works contracts in the Paris region allegedly involving 60 companies. Mr Jacques Ausenfants, of Crédit National bank, and Mr Jacky Chaisaz, director of a Parisian company, were both questioned.

The examination comes after raids earlier this week which led to six executives, including four from Bouygues, the construction and communications group, being placed temporarily in police custody. They were all released on Wednesday without being placed under investigation. The inquiry was launched in December and has spread rapidly. It covers false billing over the period 1989-94. Some 13 executives of construction companies were placed under investigation in early February, and 14 in mid-March in relation to fraud and corruption. *Andrew Jack, Paris*

No winner in fight for shield

The Italian judge asked to decide which faction gets the centrist Popular party's symbol of a red cross on a white shield left the squabbling partners to fight it out themselves yesterday. He rejected a petition from one of the factions to deny the other the right to use the symbol, inherited from the Christian Democrats, predecessor of the PPI. The party is riven over whether to enter an electoral alliance with Mr Silvio Berlusconi, conservative former prime minister and media owner, or with Mr Romano Prodi, a Catholic economist who is building a centre-left coalition to challenge Mr Berlusconi. The symbol is a vital election campaign weapon. *Reuter, Rome*

Mercedes went farther east

A former employee of Mercedes-Benz, Germany's luxury car manufacturer, smuggled company cars intended for east Europe through the former Soviet Union to Japan. The disclosure was made in a German television programme and yesterday confirmed by the company. The disclosures contributed yesterday to a 3 per cent fall in the shares of paarent company Daimler-Benz.

The employee, who was head of the company's east European department, "had very good contacts. He got to know some dealers in Russia and since the price of cars is far higher in Japan, he arranged to ship cars intended for the east European market to Japan," the company said. The employee was sacked last summer and repaid the company DM2.5m ($1.8m). *Judy Dempsey, Bonn*

Border checks reinforced

France said yesterday it would have to reinforce checks on its border with Italy as a consequence of creating the Schengen "free travel" zone with all of its continental European neighbours except Italy from next Sunday. . Mr Alain Lamassoure, European affairs minister, said the seven countries (France, Germany, Benelux, Spain and Portugal) had to reinforce and harmonise controls of their "external" frontier which would run along the Franco-Italian border. He described the border with Italy as "the frontier where we already have the most problems".

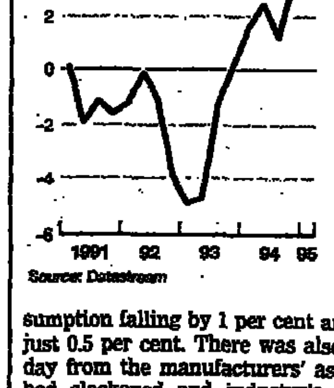
By contrast, France felt that the new security checks on the Channel Tunnel were enough to police its "border" with Britain, which has shown no sign of wanting to join Schengen. *David Buchan, Paris*

ECONOMIC WATCH

Swedish GNP up in last quarter

Sweden

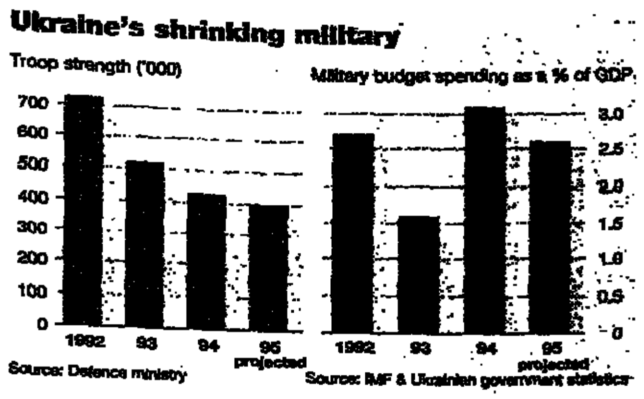
Real GNP growth, annual % change



Source: Datastream

Swedish gross national product grew by 3.4 per cent in the final quarter of last year compared with the same period in 1993. GNP growth for the whole year reached 2.2 per cent, after three successive years of contraction in the economy. Figures from the central statistics bureau underlined the dual nature of the economic recovery, with exports growing by 13.8 per cent for the year and manufacturing output, the main component of export growth, rising by 18 per cent. But the domestic economy remained stagnant, with public consumption falling by 1 per cent and private consumption rising just 0.5 per cent. There was also an ominous warning yesterday from the manufacturers' association that export demand had slackened and industry's stocks had grown in recent months. The central bank, meanwhile, said the current account ran a surplus of SKr2.6bn ($361m) in January. There was a trade balance of SKr8.4bn but the current account was hit by higher transfers due to Sweden's payments for membership of the European Union and net foreign sales of Swedish equities and bonds. *Hugh Carnegy, Stockholm*

■ French consumer spending rose 2 per cent in February, bouncing sharply after a dramatic 2.3 per cent decline in January. Year-on-year, the increase was 3.5 per cent.



Kiev aims to cut military down to size

Lack of cash, as much as political will, is driving the Ukraine government's attempts to shrink the vast military machine it inherited, writes **Matthew Kaminski**

Ukraine's large military establishment faces substantial cuts in funding and troop levels under the budget approved by parliament on Wednesday night.

The reductions are necessitated by tough economic times as well as a continuing effort to create a force more suited to the country's security demands.

Troop strength is set to drop to 400,000 this year from 726,000 three years ago when the former Soviet republic inherited Europe's second biggest army, after Russia's.

Military spending this year will again fall below the defence establishment's request – 2.6 per cent of gross domestic product, or 120,000bn karbovanets (around $800m). The defence ministry says this meets only 17 per cent of expected costs, down from 34 per cent in 1992.

"We're reforming our army to fit the country's needs," said Mr Valery Shmarov, the defence minister. But he complained that it was barely possible to cover pensions, salaries and basic supplies, and housing for 70,000 soldiers was lacking.

Shrinking by default as much as design, he added, the military could not pay for equipment maintenance, modernisation or disarmament – putting off real reform until later. The lack of housing and other employment ironically may slow Ukraine's plans to reduce the force to 250,000 troops by 1997.

Mr Vladimir Mukhin, who heads parliament's defence commission, warned his colleagues this week against further cuts, or "you can forget about a normally functioning army or building a new navy".

The country'a military leaders, however, appear more reconciled to the reductions, at least in public, than do their counterparts in neighbouring Russia. According to diplomats, Mr Shmarov, the first civilian defence minister in the former Soviet Union, enjoys their support, having securing military salary bonuses this month when many state employees are often not even paid regular wages.

The upheaval within the military began three years ago when Ukraine created a single force out of three large Soviet divisions, comprising 6,000 tanks and nearly 1,000 aircraft, and forced the Russian-dominated officer corps to swear loyalty to the new state.

Independence also prompted cross migration, with Russian and other nationals leaving Ukraine and Ukrainians returning from postings elsewhere in the former Soviet Union.

Unlike many ex-Soviet republics, Russia itself included, Ukraine has kept peace on its territory, despite a potentially destabilising ethnic mix and a separatist movement on the mostly ethnic Russian Crimean peninsula.

The country's decision last year to give up nuclear weapons and ratify the nuclear Non-Proliferation Treaty ceded the senior role in the relationship to Russia but removed a serious cause of friction between the two Slav giants.

Already transferring its nuclear stockpile to Russia on time, Ukraine also wants to sell its big northern neighbour equipment such as 19 Tupolev-160 and 25 Tupolev-95MC long-range nuclear bombers. Compensation is now being negotiated.

Yet, for Ukraine, Russia remains the biggest potential enemy. Relations have not been normalised. A standard co-operation treaty, to guarantee borders and secure good economic relations, awaits President Boris Yeltsin's oft-delayed summit with Ukraine's President Leonid Kuchma in Kiev.

Aside from Crimea, a sore point has been the division of the Black Sea Fleet, now under joint command. The two sides initially agreed to split the 325-ship fleet and its lucrative port infrastructure, but the devil has been in the details.

Ukraine rejects Russian demands for an exclusive right to Sevastopol, the Crimean port city and the fleet headquarters. A Russian official said no progress was made in talks this week.

Says Mr Shmarov: "We're taking a pragmatic stand, but no one can dictate to us whether we can be there or not." Mr Kuchma this month continued the political repartee, blaming Russia's "lack of political will" for not closing the deal.

Groups on both sides view the planned division of the fleet, widely pilfered and neglected, as too conciliatory.

Ukraine's navy is known to oppose proposals to transfer more than half its share of ships to Russia and thus scuttle plans, backed by Ukrainian nationalists, to strengthen its currently meagre four-vessel fleet. Russian hardliners, particularly in parliament, have led efforts to hold on to the historically Russian port at Sevastopol.

Mr Markian Bilynskyj, a security expert who runs a foundation in Kiev, argues that Sevastopol's uncertain status and a Russian military presence bodes ill for stability in the region.

But, as Russian and Ukrainian generals pointed during breaks in talks this week, the ports must be leased to Russia to complete the unusual and complex terms of divorce between the two biggest former Soviet states.

Mr Kuchma's refusal so far to compromise on the fleet or join the Moscow-dominated Commonwealth of Independent States' defence union coincides with a concerted effort to revitalise ailing heavy industry previously dependent on defence orders.

A January decree introduced tax incentives to create large conglomerates and promote cross-border trade in inputs for the industrial giants in Ukraine's Russian-speaking eastern regions. Ventures such as a Russian-Ukrainian aviation concern, created this week to produce bombers, raise nationalists' concerns about the recreation of Soviet economic ties that might undercut Ukraine's fledgling independence.

But Mr Sherman Garnett, senior associate at the Washington-based Carnegie Endowment for International Peace, points out that hopes in the Russified regions of Ukraine for reintegration into Russia are unlikely to be realised. The shrinking Russian defence budget means "there will be little to spread around to Ukrainian industries not absolutely vital to Russia's interests".

The Ukrainian government's pragmatic approach also includes efforts to penetrate the world arms market. Mr Shmarov this week opened Ukraine's first ever display at the Idex-95 military equipment fair in Abu Dhabi. On show was the T84 tank, made at Kharkiv's large Malyshev factory, once the pride of the Soviet military and now bequeathed to its smaller successor.

Fininvest studies sale of media stakes

By Andrew Hill in Milan

Fininvest, the Italian media group owned by the former prime minister Mr Silvio Berlusconi, says it is considering a two-stage sale of a majority stake in its television, cinema and publicity interests.

Senior executives have given a series of interviews to Italian newspapers about the plans over the past week. The news has coincided with a concerted Fininvest publicity campaign against proposals for a national referendum, which could force Mr Berlusconi to sell two of his three television channels.

Fininvest yesterday denied a story in the Italian press that it had already sold Retequattro, one of those channels, to Kirch, the German media group. It also denied that the interviews were an attempt to defuse the long-running political row over the conflict of interest.

A spokesman said the company had been looking at the possibility of reducing its stake in television, cinema and publicity subsidiaries since last year. It had put the subsidiaries under the control of a new holding company, called Mediaset, in December ready for sale. The Mediaset companies are estimated to have a combined annual turnover of L3,000bn ($1.7bn).

However, the group confirmed that it was considering the sale of a significant minority stake in Mediaset, which would be bought by one or more "technical" partners, drawn from among Fininvest's counterparts in the US or European media sector. Italian newspapers have speculated on a range of possible buyers, including Mr Rupert Murdoch, the Australian-born media magnate, Time Warner of the US, Canal Plus and TF1 of France, and Bertelsmann of Germany, although none has confirmed an interest.

In the second phase, a further stake would be placed on the market with institutional investors before the year's end.

One problem in enacting the plan could be the attitude of Mr Berlusconi himself. On Wednesday, he said in an interview that obliging Fininvest to sell any of its three channels would be like telling Ferrero, the privately owned Italian confectionery group, to dispose of Nutella, its best-selling chocolate and nut spread.

Another difficulty would be the regulatory and political uncertainty surrounding the Italian television sector in advance of a referendum on TV ownership, a factor which could deter potential investors.

Separately, a Milan prosecutor yesterday requested the trial of Mr Marcello Dell'Utri, managing director of Publitalia, Fininvest's advertising company and a close associate of Mr Berlusconi. The prosecutor is also seeking the trial of 36 other employees or former employees of Publitalia and its sister companies. The inquiry relates to allegations of false accounting and false invoicing, denied by Mr Dell'Utri and his colleagues.

Mr Berlusconi, who is also officially under investigation for alleged bribery and corruption at Fininvest, has always claimed that magistrates' investigations into his business interests are part of a concentrated campaign to discredit Fininvest and undermine his political ambitions.

McDonald's to take bigger bite of Italian market

Andrew Hill reports on company expansion plans that could see Big Macs in Venice's St Mark's square early next year

It may be one of the world's best-known brandnames but after 10 years on Italian soil, McDonald's, the international chain of burger restaurants, is still only a distant American dream for most Italians and tourists in search of a Big Mac and fries.

The entire peninsula boasts only 26 McDonald's restaurants, compared with 560 in Germany, 350 in France and 580 in Britain. Senior McDonald's executives joke privately that the current operation is "a Ferrari engine in the body of a Fiat Panda".

So much the better, say environmentalists and barmen up and down the country, who are preparing to contest plans for expansion.

Yesterday, Mr Mario Resca, new chairman of McDonald's Italian operations, revealed the group's ambition to double the number of outlets in the next 18 months, adding restaurants in new shopping centres, on Italy's *autostrade* (through a joint venture with Agip petrol stations), and – to the horror of purists – in the historic centres of Italian towns, including Venice.

To back this vision, Mr Resca, a former financial journalist who has headed McDonald's operations in Lombardy since 1992, has stumped up L2bn ($1.15m) for a 20 per cent stake in McDonald's Development Italia, the vehicle for the relaunch of the burger chain in Italy.

McDonald's has always struggled against local opposition, and entrenched rules on planning permission. Certain local authorities explicitly ban fast-food restaurants and *jeanserie* (jeans shops) from their historic centres. National legislation limits licences for new shops and restaurants, and obliges shops and restaurants to close one day a week.

But local traders fear that two national referenda this summer could abolish most limits on opening hours and planning permission, and lead to indiscriminate competition from fast-food chains and hypermarkets.

Confesercenti, the national federation representing 240,000 shops, restaurants, bars and hotels, wants gradual legislative change. Mr Guido Pedrelli, the association's chairman, says: "I'm not nostalgic for the past, and if fast food and supermarkets are the future, so be it, but they must be compatible with the historic centres."

Such is the importance of this issue for McDonald's that it is teaming up with its largest Italian competitors in a new lobby group for "modern restaurants". If successful, it can then get back to the task of challenging its biggest rival in Italy, Burghy, a burger chain set up in the early 1980s and modelled on the US group.

The other prong of the McDonald's strategy is the wooing of powerful mayors in historic Italian cities. In Venice, for example, McDonald's says the mayor has offered a choice of sites in the historic centre. Big Macs could be seen in St Mark's square as early as the beginning of next year, according to the US group.

Arms build-up gives Gulf states the jitters

Bernard Gray on the strains among countries fearful of Iraq and Iran

Arab concerns about stability in the Gulf region have been rising amid indications that both Iran and Iraq are engaged in military buildups. The heightened tension is also focusing minds in Washington, if recent comments by Mr William Perry, the US defence secretary, are any guide.

Mr Perry has warned that the US would respond to any renewed aggression in the region on several occasions in the course of a visit to the Gulf. As well as visiting the Idex international arms fair in the UAE, where western manufacturers were fighting tooth and nail for business, Mr Perry has won agreement for the storage of US military equipment in the Gulf to improve its readiness for war.

While the actions of Iraq and, particularly, Iran gives comfort to those who have advocated high defence spending by Gulf states, the question of whether instability in the region is real remains. Even if Gulf states are under serious threat, many doubt their ability to defend themselves unaided.

Why then the large arms purchases in the region? In part the answer was given by a brigadier in the UAE this week. "What is the point of having oil money in the bank if someone invades your country?" he said. "For us defence must come first and we will have to borrow from the banks if necessary to fund it. Even if it means cutting back on other services provided by the state, defence must come as our top priority."

The large budget deficits run by several Gulf states, including Saudi Arabia, over the past decade suggests that most countries are following this philosophy. But the high costs, and the $60bn (£36.5bn) bill for the Gulf war which wiped out the reserves of several Gulf states, are placing an increasing strain on the region's economy.

That strain was evident at the Idex exhibition where orders were few and far between. Even the $235m contract awarded to the Franco-German Eurocopter consortium was won after a two year delay and a flurry of last minute offers. Eurocopter is believed to have offered the helicopters at a loss on the eve of the announcement to win the business.

Elsewhere, Saudi Arabia has renegotiated the payment schedule for weapons it ordered from the US in the last year, including an order for 72 top-of the range F-15 fighters worth at least $5bn. A year after President Clinton announced with great fanfare a $6bn order of Boeing and McDonnell Douglas airliners for the Saudia airline, little more has been heard of the detailed plans.

If military spending is putting a heavy strain on finances, there is at least something to be frightened of. Iran and Iraq are still the most potent military threats in the region. Kuwait, despite the construction of elaborate Maginot line defences, could still be easily overrun.

Western military experts think that if Iraq continued south to occupy Saudi Arabia's eastern oilfields in a future invasion, that allied forces would not have the easy ride they enjoyed in 1990. An opposed landing by US marines in the confined space of Gulf waters would be bound to produce heavy casualties.

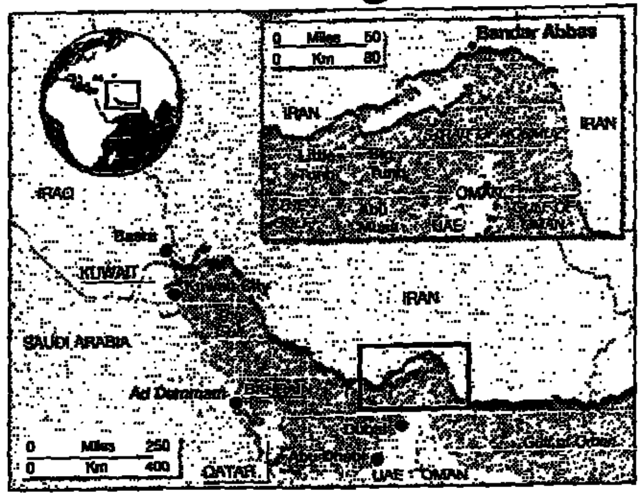
> 'What is the point of having oil money in the bank if someone invades your country?'

Iran's forces are weaker, but it does occupy one side of the straits of Hormuz, the choke point for oil traffic at the mouth of the Gulf. As well as occupying the Tunbs and Abu Musa islands near the straits of Hormuz, it has also bought two Kilo diesel submarines from Russia.

The threat of submarine attack is a new worry for oil shipping in the Gulf. While western defence experts are sceptical about the quality of the submarines and the capacity of the Iranians to use them, they do pose a powerful psychological threat.

Some western observers question the capability of Gulf states to operate successfully some of the more sophisticated equipment they have bought, even after training. Several argue that the Gulf states do not co-operate closely and are not sufficiently co-ordinated to resist any threat. All agree that western armed forces would be needed to repel a full-scale invasion.

Yet despite the ineffectiveness of some arms spending in the Gulf, it would be difficult to draw back. As well as the signal any cutbacks would send to Iraq and Iran, Gulf states feel under pressure to keep their western sponsors happy. Arms orders mean much-needed jobs in western factories and the careful spreading of business between the US, France and the UK in particular helps keep the allies supportive.



There are also domestic considerations for Gulf states. Members of royal families in the region act as middle-men in deals and collect commissions for doing so. Cutting arms sales would mean cutting cash flow to powerful interest groups whose support the rulers need.

However, if other social programmes are cut to sustain arms spending, the poor in gulf states may no longer accept the social contract which has helped keep the ruling families in power. The under-privileged may start to organise real opposition if their benefits are cut while the rich continue to live well.

That kind of civil unrest is the worst nightmare at the back of the minds of Gulf leaders and the US military. Much of the equipment the Gulf states have bought would be of little use against domestic violence, while the prospect of using US troops to supress internal dissent may be too much to bear, even if oil supplies are threatened.

Everyone is trying to take comfort from the experience of the Gulf war. But those involved in the next conglagration are unlikely to have it so easy again.

Gore asks for Arab support over N-treaty

By Julian Ozanne in Jerusalem

Mr Al Gore, US vice president, arrived in Israel yesterday having delivered a firm message to Arab states that Washington wanted them to back an indefinite extension of the Nuclear Non-Proliferation Treaty, despite Israel's refusal to sign the accord.

Mr Gore's Middle East tour appeared to have contributed to an erosion of a threatened united Arab front against Israel – widely believed to possess 200 nuclear warheads – over the NPT. In Cairo, Arab foreign ministers said yesterday it was dangerous and unacceptable for Israel to stay outside the NPT but failed to agree a common stance against the Israelis.

A resolution at the end of a two-day meeting of the Arab League failed to back the hard-line position of Egypt and Syria which have said they will vote against an indefinite extension of the treaty unless Israel signs the NPT. Several Arab states dismissed any link between Israel's position and theirs and made it clear there would be no co-ordinated Arab stance at the NPT extension treaty conference in New York next month.

The Arab League decision will be met with relief in Washington, where concern had been growing of a solid Arab front against the NPT extension, one of the US's highest foreign policy priorities.

US officials said Mr Gore's visit to Egypt, Jordan, Saudi Arabia and Oman had sought to reassure Arab states of continued US economic support and its determination to maintain a stand against lifting sanctions against Iraq while pressing them to back an extension of the NPT.

In Jordan, Mr Gore also pledged administration support fully to write off Jordanian debt to the US government despite some domestic opposition which soured Jordanian support for peace.

Mr Gore said he had lobbied in the region for a lifting of the primary Arab economic boycott of Israel which bans direct dealings with Israel.

After meeting King Fahd in Riyadh yesterday Mr Gore said he had discussed the importance of economic integration and co-operation in a new Middle East. "I am hopeful that the recognition of this new reality will be expressed soon in a lifting of the primary boycott of Israel," he said.

Mr Ezer Weizman, Israel's president, used Mr Gore's welcoming ceremony yesterday to urge Syria's President Hafez al-Assad to open direct bilateral talks with Israel rather than rely on US-arranged talks between Israeli and Syrian officials. Mr Weizman said Israelis were "big boys now" and wanted to talk to neighbours face to face. "I am trying from here to say to President Assad the sooner the leaders of both countries have a dialogue and come to an understanding (the better)," he said.

Mr Gore will travel to Palestinian-ruled Jericho today where he will announce a shift in US aid towards emergency job-creating schemes.

Russia yesterday denied that its plans to sell nuclear technology to Iran jeopardised the nuclear non-proliferation treaty and said it would press for an extension of the agreement when it is debated at an international conference next month, John Thornhill writes from Moscow. Mr Yevgeny Primakov, director of the Russian foreign intelligence service, yesterday said: "The optimum solution would be an open-ended prolongation of the treaty." He said more than 70 countries supported an indefinite extension and only a few of the treaty's 172 signatories actively opposed the move.

INTERNATIONAL NEWS DIGEST

UN bid to avert Burundi killings

Foreign ministers of 11 central African countries met in Congo yesterday to discuss ways of preventing conflict in the region, where a spate of violence in Burundi has sparked fears of killings on the scale of Rwanda. The Brazzaville talks are being held under the auspices of a United Nations permanent consultative committee on security in central Africa established in 1993. The ministers are discussing an African intervention force to cope with conflicts like Angola's civil war, last year's ethnic massacres in Rwanda and the unrest in Burundi.

Mr Boutros Boutros-Ghali, the UN secretary-general, in a message to the meeting, said it was up to Africans to take responsibility for their own security. Ethnic strife in Burundi, involving the Tutsi minority which dominates the army, and the Hutu majority, has sparked fears of a repeat of massacres in which up to a million people were killed last year in Rwanda, which has the same ethnic make-up. *Reuter, Brazzaville*

Phantom UN compensation

A United Nations body has approved $630m in compensation to victims of Iraq's occupation of Kuwait, but has no funds to meet the claims.The UN Compensation Commission said claims of another $243m approved last year had still not been paid, bringing the total outstanding to $873m. It also named three judges to rule on a $1bn claim by the Kuwait Oil Company against Iraq for the cost of cleaning up after 700 oil well fires set by fleeing Iraqi troops at the end of the 1991 Gulf war.

The Geneva-based body is handling claims totalling $200bn from civilians, companies and states for damages from the August 1990 invasion and seven-month occupation. But its coffers are empty until Baghdad agrees to sell $1.6bn of oil allowed under UN sanctions. The Security Council, which recently renewed the sanctions, has said one third of Iraqi oil revenues would go for compensation. *Reuter, Geneva*

Chevron signs Lagos contracts

Chevron Nigeria yesterday signed contracts totalling $320m for the construction of facilities to gather and distribute gas from oil fields in the Escravos area. Chevron Nigeria is the operator of the Nigerian National Petroleum Corporation (NNPC)/Chevron joint venture. The Escravos gas project involves the gathering and processing of gas now being flared in the NNPC/Chevron offshore Okan and Mefa fields in the Escravos area in south-east Nigeria.

The first phase of the project, involving the processing of about 170m cubic feet of associated gas per day, is expected to come on stream in 1997 at a total cost of about $569m. The contracts signed were for the construction of the gas project's onshore and offshore facilities, the compressors and floating storage and off loading vessels, Chevron said. The contract for the construction of the onshore facilities, worth $70m was awarded to a consortium of the ABB Randall Corporation and Entrepose Montalev. The offshore facilities will be built by a consortium of Saipem SpA and ABB Lummus Crest at a cost of about $125m. *Paul Adams, Lagos*

Ex-Nigerian leader to be freed

Nigeria's former military head of state Mr Olusegun Obasanjao is to be released after 10 days' detention by the military government, but confined to his home town, following an appeal by Mr Jimmy Carter, the former US president. The government has not said whether Mr Obasanjao was arrested for his involvement in civilian politics or in connection with the recent coup plot alleged by the government.

There remains a ban on political parties 18 months after General Sani Abacha seized power. Mr Moshood Abiola, who won a presidential poll which was annulled in 1993, has been in jail for nine months on treason charges. *Paul Adams, Lagos*

Agenda

1. ***How The Communication Revolution Is Changing The Face Of The Business World.***

2. ***How Good Communication Can Get Us Closer to our Customers And Suppliers.***

3. ***How Good Communication Within Our Company Can Empower Our People.***

4. ***How To Choose A Communications Supplier.***

5. ***Who Is The Best Communications Company In the World?***

6. ***Next Steps.***

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BT

Global communications

Local monopolies under fire

Senators vote for telecoms reform plan

By George Graham in Washington

Legislation to break down the competitive barriers between local and long distance telephone companies, cable television networks and other telecommunications businesses won approval yesterday from the Senate commerce committee.

The move raises hopes that Congress might this year pass a comprehensive reform of the 60-year-old law that governs US telecommunications.

The bill would supersede the court judgment which broke up the AT&T monopoly 10 years ago, which has in effect served as US telecommunications law since then.

The seven "Baby Bell" companies created by the judgment, which now have virtual monopolies on local telephone services in their respective regions, would be allowed to add services they are now prohibited from offering, such as long distance and cable television, once they meet a "competitive checklist" showing that they have opened up their local market to competitors.

The competitive checklist is intended as a compromise between the Bells' demand for a fixed date on which the restrictions on them would be lifted, and their competitors' argument that the Bells should not be freed until they can show that they face actual competition in local markets.

The Bells would be required to offer competitors "unbundled" access to their networks, guaranteeing them the right to connect their customers to Bell customers and to use Bell poles and ducts. As soon as technically possible, the Bells would have to provide number portability, so that a customer could move to a competitor without changing telephone number.

Among other contested measures, the bill would:

- Increase from 25 to 35 per cent the percentage of households across the country that a single broadcast owner would be allowed to reach.
- End restrictions on foreign ownership of communications businesses for companies whose country provides "equivalent market opportunities" to US companies.

> The competitive checklist is intended to form a compromise

- Allow the Bells to manufacture telecommunications equipment, without the requirement imposed by some earlier bills that they use a certain percentage of US-made components.

Although the commerce committee approved the bill by a 17 to 2 vote yesterday, the measure is subject to amendments before it is brought to the floor of the Senate. The last details were agreed at 1 am yesterday and most senators had not seen the final version of the bill until shortly before yesterday's meeting, so significant changes could still take place.

Last year, when the Democrats still controlled Congress, the commerce committee approved another bill with very different provisions, but failed to bring it to the Senate floor. Senators warned yesterday that the huge commercial interests involved in telecommunications reform could once again block legislation.

But members are keen to act because in the absence of a modern telecommunications law, courts around the country are rewriting the rules piecemeal.

California governor tests presidency chances

Jurek Martin on a likely addition to a busy Republican field

Governor Pete Wilson of California yesterday came closer to declaring his candidacy for the Republican party's presidential nomination next year, potentially further complicating the field for an already intensely contested prize.

Mr Wilson announced he was forming a campaign exploratory committee to raise funds and investigate the feasibility of a full-scale bid. Although not an irrevocable step, the creation of a committee is considered a legal prerequisite for running.

In a speech in Los Angeles on Wednesday night, the Governor referred only indirectly to his national ambitions. "We can have a government in Sacramento and Washington of common sense and fairness. We are going to demand change and get it, both in Sacramento and Washington, DC," he said at a dinner.

But he struck generally conservative themes designed to resonate with Republican voters. He spoke of his own tough positions against crime, welfare dependency, illegal immigration and affirmative action programmes and declared that states such as California were "not colonies of the federal government".

The establishment of a committee 11 months before the first New Hampshire primary underlines the front-loaded nature of next year's campaign. California itself has advanced its primary from June to March and several other big states, including New York, have settled on earlier contests, putting a premium on early fund-raising and organisation.

Mr Mervyn Field, the respected California pollster, thinks the governor might choose to run a modified "favourite son" campaign out of his home state. This would need less cash than the estimated $20m (£12.6m) required for a national effort. It would also require fewer absences from the state, a real problem with a Democratic lieutenant governor and a legislature still dominated by Mr Willie Brown, the Democratic Speaker.

But the larger question centres on where he will position himself against his Republican rivals. The field already numbers four senators – Robert Dole of Kansas, Phil Gramm of Texas, Arlen Specter of Pennsylvania and Richard Lugar of Indiana – plus Lamar Alexander, the former governor of Tennessee, and Pat Buchanan, the polemicist.

Setting aside his eight years in the Senate from 1982-90, Mr Wilson's non-Washington credentials as governor of the largest state exceed those of Mr Alexander and Mr Buchanan and stack up well against Mr Gramm's proclamations of being an insider-turned-outsider.

It is less clear how well Mr Wilson's recent conversion to populist conservatism, so different from most of his first term as governor, goes down with Republican activists. They view him less kindly for his approval of a tax increase in 1992 and for his continued belief in abortion rights.

But the perception that he remains a pragmatic, if now closeted, moderate, could also be helpful in broadening his appeal. With Mr Specter and Mr Lugar given little chance, this leaves Mr Wilson principally up against Mr Dole, his recent tactical shift to the right notwithstanding, in the battle for the middle ground. Some believe that a Dole-Wilson ticket could be the logical outcome.

That might suit the uncharismatic Mr Wilson, if he concludes that his best hope for the White House lies in 2000 via the vice president's office. In fact no sitting governor of California has ever won the presidency. Until Mr Bill Clinton won in 1992, the last incumbent governor to triumph was Franklin Roosevelt from New York in 1932.

Brazil's central bank denies leak

By Angus Foster in São Paulo

Brazil's central bank president Mr Pérsio Arida yesterday denied allegations that the devaluation of the Real two weeks ago was leaked in advance to some private banks. Mr Arida called the accusations "thoughtless" and politically inspired.

Mr Arida was reacting to allegations made on Wednesday night by Senator José Eduardo Dutra of the left-wing Workers Party (PT). The senator claimed to have secured statistics showing that four investment banks built up dollar positions in the days ahead of the devaluation, then sold the dollars for a profit when devaluation was announced.

Mr Arida said the allegations were "based on pure and simple ignorance" of financial markets. He said the statistics only referred to the interbank market and that the dollar positions were matched by forward sales on the futures market. Mr Arida, who said the statistics could only have been leaked from within the central bank, called on the senator to name his source.

Rumours have circulated since the devaluation that some banks benefited through their close links with the central bank. However, analysts doubt there was a leak of information ahead of the devaluation. Nonetheless, an ambiguously worded central bank statement on the subject, apparently explained further to only a few bankers, may have left some banks better informed than others.

The rumours are undermining financial markets and adding to volatility on the stock market, which yesterday gyrated sharply during Mr Arida's testimony and was up nearly 3 per cent at lunchtime.

The rumours are also keeping the focus on perceived splits within the central bank following the devaluation, which many analysts believe was badly handled. The leak to the senator, apparently from within the central bank, of statistics protected by banking secrecy laws also raised concerns about the central bank's internal security.

The problems with the central bank are also unwelcome for President Fernando Henrique Cardoso's government, which wants Congress to focus on a package of constitutional reforms.

In the government's first setback with the reforms, congressmen voted to vote separately on a number of measures proposed to modernise the social security system. The government wanted a single vote.

A Bolivian teacher tries to free a colleague arrested by riot police during a violent demonstration by thousands of rural teachers in La Paz against education reforms Reuter

CIA agent 'ordered deaths'

A paid agent of the Central Intelligence Agency ordered the killings in Guatemala of a US citizen and a guerrilla leader married to an American, a member of the congressional intelligence committee alleged yesterday, Reuter reports from Washington.

The CIA knew about the killings ordered by a Guatemalan colonel on its payroll but concealed its knowledge for years, said Mr Robert Torricelli, a New Jersey Democrat on the House of Representatives Intelligence Committee.

The State Department and the National Security Council learned the facts months ago but did not tell the Mayan Indian guerrilla's widow, Jennifer Harbury, an attorney who has been petitioning the White House for help, Mr Torricelli said.

He said president Bill Clinton and his closest advisers learned the truth only recently. A Clinton spokesman said the White House had kept Ms Harbury informed of what it knew "to the degree that we've been able to ... without breaking the law".

Mr Torricelli said Colonel Julio Roberto Alpirez, a Guatemalan military intelligence officer, was responsible for ordering the 1992 killing of Mr Efrain Bamaca Velasquez, the guerrilla leader, and Mr Michael Devine, an American who ran a hotel in Guatemala and was killed in 1990.

A White House spokesman said much in media accounts of the deaths was not true.

Nicaragua foreign debt eased

The Paris Club of wealthy nations agreed to write off between $500m and $600m of Nicaragua's foreign debt, according to Mr Antonio Lacayo, minister of the presidency, Reuter reports from Managua.

"It's the first big step in the renegotiation of the entire foreign debt" of $11.7bn, Mr Lacayo said on Wednesday.

Mr Lacayo said he could not be precise about the total figure of debt relief because "two days of intense negotiations" in Paris had ended on Wednesday and he did not have a complete report from Nicaragua's negotiating team.

However, he said $862m in debt to the Paris Club was on the negotiating table, meaning Nicaragua received less than the 80 per cent reduction it said it was seeking.

Nicaragua's total debt with Paris Club countries is $1.6bn, much of which has been renegotiated already. The deal will lower Nicaragua's $250m annual debt service by about $40m this year and between $110m and $120m in 1996, Mr Lacayo said.

It also gives Nicaragua a boost in its efforts to renegotiate its debt with countries of the former Eastern bloc, commercial banks and other Latin American countries, he said.

US concern over procurement pact

By Nancy Dunne in Washington

A US-EU trade pact on government procurement, reached two years ago with great fanfare, is in danger of coming apart over the failure of the German government to establish an appeals process for enforcing the deal.

The agreement was the first collaboration between Mr Mickey Kantor, the US trade representative, and Sir Leon Brittan, the EU trade commissioner.

The dispute over US access to the EU's government procurement market had dragged on for months with the US threatening sanctions.

The outcome led to the opening of the EU market for power generation equipment and an agreement to disagree on telecommunications. It seemed to augur well for future relations.

However, after the deal was agreed the east German utility Veag excluded General Electric Power Systems of the US from the final round of bidding on a $250m contract to provide steam turbine engines for its facilities in Lippendorf.

GE tried to appeal against the exclusion but German courts twice threw out its petitions. Three administrative reviews also failed to gain the company reinstatement to the bidding process. Ms Patricia Sherman, a GE representative in Washington, hopes GE has a chance at the second and more lucrative phase of the project – supplying the equipment.

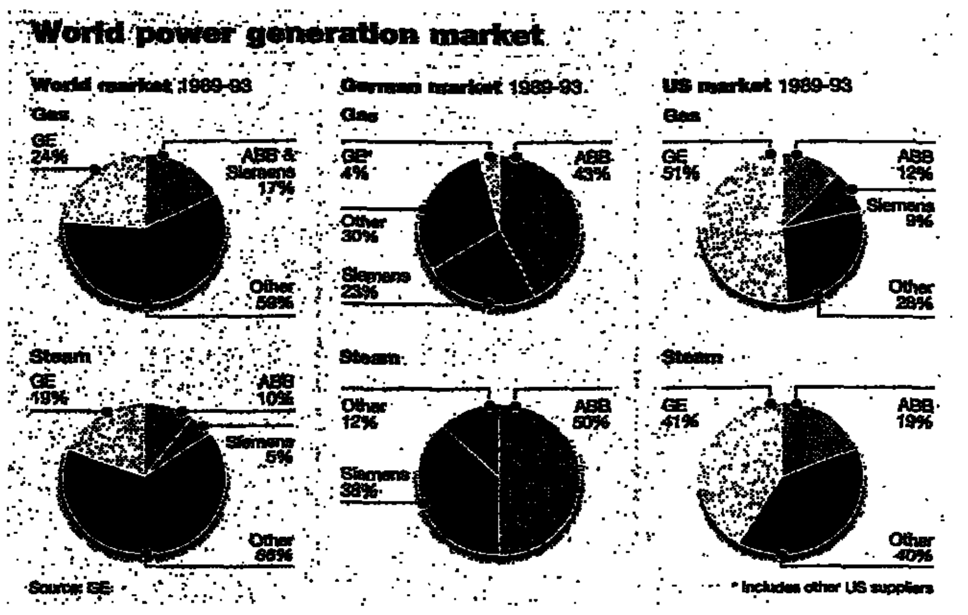
GE's trials – and that of smaller companies which have complained to the US government – have not gone unnoticed. Mr Jeffrey Garten, the commerce undersecretary, says the issue "has risen to the top of our trade concerns in Germany and in Europe."

Last summer Mr Kantor telephoned Mr Gunter Rexrodt, the German economics minister, to express his concern. In January he wrote to him saying that since the government "has yet to provide GE with an adequate review process... your personal intervention will be necessary".

Mr Rexrodt responded last month saying the German market has long been open to all bidders but "it may well be that this case points to certain deficiencies in our legislation." He saw no indication "of unfair action" by Veag; that would be "the task of the review procedure" to ascertain. He pointed out that GE had won a bid to supply two gas turbines in Thuringia last year.

GE says it has yet to win any bids for the larger steam power projects. During the 1990s it bid on several steam power projects, a process which generally costs between $500,000 and $1m for each bid.

The winners were either Siemens or the Swiss-Swedish group Asea Brown Boveri. Both have their main steam turbine manufacturing facilities in Germany.



Japanese steelmakers ready to dump US

Fed up with anti-dumping charges, some are concentrating on other markets, writes **Michiyo Nakamoto**

Since a voluntary restraint arrangement on Japanese steel exports to the US was lifted in April 1992, not a year has passed without Japanese steel producers facing anti-dumping charges in the US. On Monday the US Commerce Department is expected to rule in the latest case on whether Japanese companies have been selling products on the US market at less than fair value.

In spite of expectations that the ruling will lead to damaging anti-dumping duties, two of the three Japanese companies involved have already given up the fight.

Daido Steel, the world's largest maker of specialty steel, and Sumitomo Metal Industries, one of Japan's five large integrated steelmakers, both say they have no intention of defending themselves against accusations that they are dumping stainless steel angle in the US.

"For the past two years or so we have been charged with dumping just about every single product we sell in the US," says an official at Sumitomo Metal Industries. "We have learned a lesson that just because we defend ourselves it does not necessarily lead to good results."

There is a widespread view among Japanese steel exporters that US anti-dumping actions are often politically motivated. In a recent case Daido Steel did not co-operate with US anti-dumping investigations and, along with other Japanese suppliers, was penalised with the highest dumping margins among the defendants.

Daido felt that it had little chance of winning even if had co-operated. "We considered it a political move so we didn't think we could win," says Mr Osamu Ono, general manager of Daido's overseas department.

The decision was taken against the advice of its lawyers in the US who warned Daido that failure to co-operate would raise suspicions of guilt.

Daido claims, in common with many Japanese steelmakers charged with dumping, that its US product prices were set at fair market value at a comparable level to domestic market prices.

Although the US Commerce Department determined that Japanese product was sold at less than fair value, the International Trade Commission found that Japanese prices "were above prices of the domestic products in the majority of the price comparisons".

The reason Japanese steelmakers were nevertheless charged, Daido believes, is because there was a need to establish that total imports – not just the Japanese ones – were hurting the US industry and in order to do so it had to be shown that imports had a high share of the US market.

Japanese companies had a large proportion of the total share among imports of stainless steel bars. Unless they were included, Daido says, the imports would not have had a high enough market share to be seen to cause injury to the US industry. "We believe that we were charged because of our high market share," Mr Ono says.

This led Daido to conclude that even if it fought the case it was unlikely to win. At the most, it could hope for a slight reduction in the final dumping margin.

At the same time, the high cost of fighting dumping charges has meant that unless the market itself provides good business, Japanese companies would rather use the resources to expand their operations in more welcoming markets.

For Daido and Sumitomo Metal the low volumes of stainless steel bars and angle they sell in the US market do not warrant the kind of manpower and financial input needed to fight an anti-dumping charge.

"The dumping procedure is very complicated and time-consuming," says a representative of Sumitomo Metal Industries. The information that defendants are required to submit is sensitive and it takes four to five employees working on the issue full time for a year.

"If you are charged, you have to expose yourself. You have to submit information in their specified format and that means huge legal costs and sacrifices of employees' time. So if sales volumes are small, there is no choice but to retreat," says Mr Ono.

The result is that simply by filing charges, domestic US producers can hurt importers' business.

For example, although the final rulings on Japanese stainless steel angle imports have yet to be made, Japanese market share in the US has fallen from about 40 per cent to virtually nothing, according to Aichi Steel Works, a leading speciality steel maker which is the only company out of three Japanese companies charged that has continued to co-operate with the investigations.

Aichi says that the main reason it is going on with the investigation is because it has been exporting the product for 30 years and a retreat by the company would create difficulties for its customers. Sales of stainless angle to the US market make up less than 1 per cent of Aichi's stainless angle sales.

For products that are sold in larger quantities in the US, and particularly those that are sold directly to customers rather than on the market, Japanese steelmakers are prepared to put up a harder fight against charges of dumping.

In a case involving imports of carbon steel and alloy steel wire rods, Japanese companies led by the large integrated steel producers countered the charges vigorously and were last year able to overturn a preliminary ruling by the ITC that they had caused injury to the US industry.

But increasingly, as south-east Asian demand surges, the US market for certain products is no longer as attractive for Japanese steelmakers.

Ten years ago, about half Daido's exports went to the US but today only a fifth does. It does not hurt them to turn their backs on the US market, he suggests. About half Daido's exports are to south-east Asia, which is expected to see strong demand in the years ahead.

"We have an alternative market," Mr Ono says. The real losers, he says, are the users of product who face price increases and a decline in alternative supplies as imports laden with anti-dumping duties decline or disappear.

WORLD TRADE NEWS DIGEST

Way cleared for Ruggiero

Mr Renato Ruggiero was yesterday confirmed as head of the World Trade Organisation after African countries concurred in his appointment. The former Italian trade minister and diplomat said he would work to promote free trade and to strengthen the global trading system. He also stressed his commitment to defending the interests of all WTO members, including those of developing countries. His appointment ended nine months of wrangling in a contest split on regional lines. The Italianwill serve a single four-year term starting on May 1 when Mr Peter Sutherland stands down.

When on Tuesday the US swung in Mr Ruggiero's favour – after its favourite, Mr Carlos Salinas, former Mexican president, dropped out of the race – the final outcome was never in doubt. But confirmation was delayed another two days by argument over the US-imposed terms of Mr Ruggiero's appointment, especially the offer of a deputy post to Mr Kim Chul-su, the former South Korean trade minister who was Mr Ruggiero's only remaining rival. Trade ambassadors in Geneva were angry at having a big-power deal thrust upon them. African countries in particular felt aggrieved by having a second Asian as a deputy in addition to existing deputies from the US, India and Mexico, leaving their continent unrepresented. They conceded after a promise that African concerns would be taken into account in future appointments. *Frances Williams, Geneva*

Malaysia lifts plastics ban

Malaysia has lifted restrictions on the import of certain materials used in the plastics industry. The restrictions, which applied to imports of polypropylene and polyethylene, provoked a trade row with neighbouring Singapore: the island republic said its petrochemical industry had suffered severe damage because of the Malaysian move.

Arguing that the restrictions were inconsistent with General Agreement on Tariffs and Trade principles, Singapore brought its case before the newly formed World Trade Organisation. Malaysia argued that the restrictions were allowed under Gatt directives allowing developing countries to protect infant industries. Mrs Rafidah Aziz, Malaysia's trade minister, said that the government had now decided the local industry no longer needed protecting. However, Mrs Rafidah said Malaysia would continue to fight its case at the WTO in Geneva. Malaysian officials have been upset that Singapore chose to take its case to the WTO – the first such action to be put before the new trade body. *Kieran Cooke, Kuala Lumpur*

Germans lose patents ruling

The Tokyo high court yesterday ruled against the use of patent rights by the Japanese arm of BBS, the German vehicle parts maker, to stop parallel imports of its patented hubcaps. The decision overturns a ruling by the Tokyo district court last July, when BBS won a case against two retailers which imported the company's hub caps direct from Germany and sold them up to 40 per cent cheaper than those imported through the German maker's Tokyo subsidiary.

The ruling is based on the premise that the manufacturer had been compensated for its patent when the product was sold in Germany, and the payment would overlap if it was also paid in Japan. *Emiko Terazono, Tokyo*

■ South Korea will build an industrial complex at a 330 hectare site in Nakhodka free economic zone in Russia, the state-funded Korea Land Development Corporation (KLDC) said. Russia has agreed to lease the land for 50 or 70 years. *Reuter, Seoul*

Japanese land prices fall again

Land prices in Japan dropped for the fourth successive year in 1994, with continued heavy falls in the value of commercial property, Reuter and AFX report from Tokyo.

Residential land prices however fell only slightly, the government's National Land Agency said in its annual report.

The agency said 1994 commercial land prices fell an average 10.0 per cent compared with an 11.3 per cent drop the previous year, the report said.

Residential land prices dropped 1.6 per cent from a year earlier, compared with a 4.7 per cent fall in 1993.

Since the peak in 1991, commercial property prices in the Tokyo area have declined by an average 48 per cent, with prices in the Osaka area declining 58 per cent.

Residential property prices in the Tokyo area fell 2.9 per cent in 1994, the survey found, after falling 7.8 per cent the previous year.

The largest decline was recorded in the Nagoya area, with prices down 4.0 per cent in 1994, down from the 6.1 per cent decline in 1993.

■ Vehicle production in Japan rose 5.3 per cent in February over a year earlier to 944,428 vehicles, the first upturn in two months, according to the Japan Automobile Manufacturers Association.

Car production was up 4.9 per cent, truck output up 6.7 per cent, but bus production was down 2.1 per cent.

Rift over maid hanged in Singapore deepens

By Edward Luce in Manila

The rift between Singapore and Manila over the execution of a Philippines maid last week deepened yesterday after a group of mayors launched a boycott of Singaporean products.

The League of Philippine Provinces, a collection of local authorities, announced Singaporean goods and citizens would be barred from their localities despite pleas for calm by President Fidel Ramos.

The banning of goods and visitors may have "negative effects on other Asean [Association of South-East Asian Nations] partners," he said.

Singapore is the second largest regional investor in the Philippines, at $169m (£107m). Bilateral trade totalled $2.1bn in 1994. But a single product labelled 'Made in Singapore' could be the product of several countries," said Mr Ramos.

Mr Abdullah Ahmad Badawi, foreign minister of Malaysia, also an Asean member, yesterday urged the two countries to mend ties for the sake of regional stability.

Manila officials have privately expressed concern the Ramos administration has made itself a hostage to fortune by pledging to cut ties with Singapore if a government inquiry finds the hanging of Mrs Flor Contemplacion unjust.

The seven-member inquiry – the Presidential Commission on the Protection of Overseas Filipinos – embarked on the first session of hearings yesterday, questioning Ms Alicia Ramos, the ambassador to Singapore, who was recalled two days ago. Its findings will be made public in the next three weeks.

Authorities in Davao City, where the Singaporean flag was burned on Tuesday, said an effigy of the Singaporean president, Mr Ong Teng Cheong, will be incinerated in the city on Sunday.

The public outcry against the Singaporean authorities has become the leading issue in the campaign for congressional elections this May.

Opposition politicians, among them Bong Bong Marcos, son of the former dictator, have accused the Ramos administration of failing to extend enough protection to Filipinos who work as domestic servants overseas.

Supporters of hanged maid Flor Contemplacion urge Manila to break ties with Singapore and for officials involved to quit AP

Aircraft noise could ruin Labor's party

By Nikki Tait in Sydney

Lunchtime in central Sydney, and the state parliament building is being blasted by recordings of a jumbo jet landing. This is the latest in a stream of protests by Sydney residents, furious that their property values have slumped and lifestyles been disrupted by a new airport runway which has transformed air traffic routes.

Unhappiness about aircraft noise is not unique to Australia's largest city, but the highly charged issue has taken on political significance because of a knife-edge state election to be held in New South Wales tomorrow.

The airport fiasco has been blamed on Paul Keating's federal Labor government, which is responsible for aviation matters. Now the suggestion is it could cost the state Labor party its chance of victory at the polls. And that, coupled with disquiet over Canberra's recent handling of a couple of environmental issues, could ricochet right back to federal level – after all a general election is 12 months away at most.

For the past four years, NSW has been controlled by an uneasy coalition of Liberal and independent MPs. The Liberals effectively have 48 seats; Labor, 47; and there are three non-aligned independents.

It has not been a smooth ride for John Fahey, the Liberal coalition leader, in part because of some embarrassing defections and departures from within his ministerial ranks. Now, in the final days before the election, the polls suggest a tight race, with the percentage of "don't knows" still high.

For the most part, the two main parties have been campaigning on a small range of familiar issues; who can best provide health and educational services, for example, and who would be tougher on crime. The Liberals brightly took a lesson from the US releasing a policy which would see three-time serious offenders jailed for life unless extenuating circumstances existed.

But the most interesting aspect of the election is the interplay of federal issues and state fortunes. The Sydney airport issue has been the most prominent, with Liberals claiming the federal government has deliberately delayed opening a new control tower, which will increase flight frequencies, until after the election – something the government denies.

But an ill-handled row over federally awarded woodchipping licences and cabinet's renunciation of a "carbon tax" have done nothing to endear the Keating government to Green party supporters, whose preferences can be crucial.

Even economic policy has been dragged into the state debate. Earlier this week Mr Keating denied suggestions that the government was holding back until after the election on a further interest rate rise – still seen by many economists as essential to check demand in the economy and prevent inflation developing.

But Mr Keating's reassuring noises about the economy, and professed belief that it is "slowing naturally" added to financial markets' confusion. They are now increasingly nervous that the May 9 budget, forecast to contain a "significant tightening" of fiscal policy, will be disappointingly relaxed in terms of short-term checks.

Technologist v technocrat in Indonesia

Manuela Saragosa on a power struggle over economic policy

The villagers of Pasir Putir, a hamlet in the lush mountains off the south west coast of the Indonesian island of Java, live in bamboo houses and tend their goats, chickens and rice fields in the tradition of their ancestors. They still draw their water from wells and bathe in the river. There are no roads to the village and cars and motorcycles have never set wheel there. Electricity is a recent addition to their daily lives.

Only a few hours' drive east lies the town of Bandung, a bustling centre of trade, academia and art deco architecture which has been transformed into the hub of the country's aircraft industry over the last 20 years. It is also home to Indonesia's Nuclear Research Centre.

Pasir Putir and Bandung symbolise the two Indonesias over which an increasingly divisive economic policy debate has taken shape, splitting the cabinet itself.

Mr B J Habibie, minister for research and technology, is a hero to some and an economic villain to others. He leads the country's technologists, who want the government to spend money on a number of high-tech projects, such as those in Bandung, which they believe will help the country leapfrog its way to becoming a fully industrialised country.

On the other side of the divide are the technocrats for whom Mr Mar'ie Muhammad, Indonesia's minister of finance, is the champion.

Known for his tight monetary policies, Mr Muhammad represents a school of economists, both foreign and local, who want to see Indonesia keep a lid on state spending.

They argue that there are better uses for state funds than Mr Habibie's high-tech projects.

Suharto: caught in the middle

Mr Habibie presides over the state-run Agency for Management of Strategic Industries, which includes the Bandung-based aircraft maker IPTN and the shipbuilder PAL and other companies specialising in electronics, weapons, explosives and telecommunications. All the companies have been set up with government money.

To some Indonesians these projects are a source of great pride, symbols of the economic progress Indonesia has made over the past three decades.

Indonesia's N-250 70-seat turboprop commuter aircraft which Mr Habibie rolled out amid much pomp and circumstance on the eve of the Asia Pacific Economic Co-operation summit in Indonesia last November was christened *Gatotkoco* after a mythical flying Javanese warrior.

Indonesia predicted yesterday its 1995 economic growth would match last year's 7 per cent despite the yen's sharp revaluation, Reuter reports from Jakarta.

Mr Saleh Afiff, minister responsible for co-ordinating economic policy, admitted the strong yen had increased the cost of servicing Indonesia's foreign debt, nearly 40 per cent of which is denominated in yen.

But as some local economists and foreign bankers point out, these industries have enjoyed decades of high protective tariffs and are still inefficient. Mr Habibie himself admitted in February that five out of 10 of his projects, including IPTN and PAL, were losing money.

The matter has come to a head in recent weeks. Mr Habibie has threatened to close some of his industries unless the government grants him export credits which he says are necessary to market big capital goods abroad. Mr Muhammad has made clear that he is opposed to any government-funded export credit scheme because he argues that Indonesia, which has one of the developing world's largest foreign debts – about $87bn – cannot afford it.

President Suharto, meanwhile, has instructed both ministers to work with the central bank on a study of the costs and ways of implementing an export credit scheme. In a country where the president's word is virtually law, Mr Muhammad has had to go along with that instruction.

Mr Muhammad faces a tough opponent in Mr Habibie, a protégé and close friend of President Suharto, who has ruled Indonesia for nearly three decades. Mr Habibie, a German-trained engineer, was recalled from Germany to Indonesia by the president as a technology adviser in 1974. Mr Muhammad assumed his position as finance minister after the last election in 1992.

The two ministers have clashed before. Last year, Mr Muhammad slashed by two thirds the $1.1bn in state funds made available for upgrading and buying a fleet of 39 east German warships, a purchase organised by Mr Habibie.

This time, however, the debate between the two is more sensitive because it will have a determining effect on the future of the industries which Mr Habibie has fostered since their inception – and it may also shed some light on the president's own plans for Indonesia's economic and industrial development.

Taiwan to compensate massacre victims

Taiwan's legislature yesterday passed a law granting compensation to victims of a 1947 massacre by Nationalist troops from mainland China, writes Laura Tyson in Taipei.

The move is seen as an effort to soothe ethnic tensions between native-born Taiwanese and Chinese who fled the mainland in 1949, ahead of legislative elections later this year and the island's first presidential elections in March 1996.

In an especially heated session, the legislative Yuan voted that the government would pay T$6m (£146,000) to relatives of those who suffered in the "February 28 incident", the day when the island-wide crackdown is said to have begun.

Over 1,000 family members have applied for damages for the event in which 15,000 to 30,000 people died. Many others are expected to follow suit.

Proposals to create a new national holiday, on February 28, backed by the leading opposition Democratic Progressive Party, was watered down to a "peace memorial" day, which would still be a working day.

Recently President Lee Teng-hui made the first official apology for the killings, which have driven a wedge between Taiwanese and mainlanders. The subject was taboo under the ruling nationalist (Kuomintang) government until political reforms in the late 1980s.

Bayer to open offshoot near London

By Daniel Green

Bayer of Germany is to become the first pharmaceuticals company to create a European headquarters in the UK for dealing with regulators following the setting up in London of a new European drugs agency.

The move is likely to be the first of several investments in Britain by drugs companies based outside the UK wanting rapid access to the agency, which oversees pan-European Union approval of new drugs.

Bayer chose the UK over Germany to create a 20-30 person team at Stoke Court about 40km west of London. The move will boost the Department of Health's strategy to encourage inward investment after the European Commission's decision in 1993 to site the European Medicines Evaluation Agency in London. The agency began work in January this year.

Mrs Virginia Bottomley, UK health secretary, has just led a delegation to Japan to try to persuade Japanese companies to increase their presence in the UK. The department hopes that companies' regulatory affairs offices could be followed by other divisions such as research and development.

Several Japanese drugs companies gave "positive responses" to the visit, says the Department of Health, but stopped short of making commitments.

Other drugs companies that could increase their UK presence include France's Rhone-Poulenc Rorer, which in May will officially open a new distribution and final manufacturing centre in east London, and Sweden's drug makers Astra and Pharmacia. The Swedish drugs industry is keen to take advantage of the country's entry into the EU in January this year.

Mr Fernand Sauer, the agency's executive director, said he expected many companies to open regulatory offices in the UK or to beef up existing resources.

There is also a good chance that EU member states' regulatory bodies will open "embassies" close to the agency's offices in London's Docklands. They will be scrutinising drug applications under the agency's aegis. Speed is vital: if they do not perform quickly enough they may risk losing fees.

The agency is building up its presence at Canary Wharf. Its staff of 25 will rise to 40 by the end of April and 100 at the year's end.

It has invested heavily in information technology to help speed the drugs approvals process. This includes video-conferencing and electronic data storage rather than paper and post for processing the huge research dossiers accompanying drugs applications.

Socialist leader woos middle classes

The biggest opposition party is hastily transforming itself as the next election nears, says Kevin Brown

Mr Tony Blair, leader of the opposition Labour party, wasted no time this week in exploiting growing support inside the party for revision of its traditional commitment to achieving socialism through mass nationalisation.

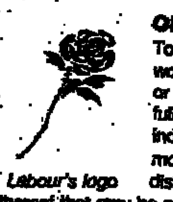
The ink was barely dry on a statement of objectives which he wants to substitute for the nationalisation commitment in Clause 4 of the party's constitution. Then Mr Blair explicitly promised for the first time to rid Labour of "Marxist intellectual analysis".

Using language designed to reassure the middle classes whose support he needs to win government, Mr Blair said the revised statement was intended to broaden Labour's appeal beyond producer or class interests. Opinion polls suggest that Mr Blair's party has the best chance of unseating the ruling Conservatives since they defeated the last Labour government in 1979.

In a bold attempt to steal the Conservatives' political clothes, he called for a greater sense of duty and personal responsibility and disowned collectivist institutions. He also promised support for "rules which we all stand by; fixed points of agreement which impose order over chaos". It was a powerful speech built on the growing appeal to middle class values that has characterised Mr Blair's leadership since he took over less than a year ago.

But it was also an extraordinary speech from the leader of a party that spoke the language of class warfare until very recently, and which was promised massive state intervention and punitive taxation little more than a decade ago. Mr Blair felt able to deliver it because his proposals for a revised statement of aims and values were backed by the party's national executive with overwhelming support last week.

Party abandons class war in drive to regain power



Labour's logo

Old-style

To secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution and exchange, and the best obtainable system of popular administration and control of each industry or service

Tony Blair: updating ideology

New-style

The Labour party is a democratic socialist party. It believes that by the strength of our common endeavour, we achieve more than we can achieve alone so as to create for each of us the means to realise our true potential and for all of us a community in which power, wealth and opportunity are in the hands of the many not the few, where the rights we enjoy reflect the duties we owe, and where we live together, freely, in a spirit of solidarity, tolerance and respect

Strictly speaking, formal approval must still be given by a special conference on April 29. But, as defenders of Clause 4 have been saying for months, Mr Blair's control of the national executive and the support of big unions and large chunks of the constituency organisations make the conference a phoney battleground.

The left's response to impending defeat has been to dismiss the proposals as a distraction from Labour's campaign against the divided Conservative government. In fact, it is a defining moment in the party's history, marking the real beginning of what Mr Blair has for months been calling New Labour.

The core of the old clause, printed on every party membership card, commits the party to "common ownership of the means of production, distribution and exchange." In a big shift of emphasis, the party will now seek "a dynamic economy" in which the "enterprise of the market and the rigours of competition" will help to produce wealth.

Far from promoting nationalisation, the new Clause endorses "a thriving private sector" and envisages that "undertakings essential to the common good" may be either owned by the public "or accountable to them." Within the party, the absurdity of the old clause is widely recognised. Even on the left, the clause is taken to imply a commitment to a mixed economy, rather than a prescription for central planning.

But the language of clause 4 matters. First, it is a symbol of Labour's early struggle against capital. (Ironically, the clause was drafted in 1918 by two middle-class Fabian reformers, Sidney and Beatrice Webb, as part of an attempt to bridge a party split).

While the old Clause 4 lives, the left has a legitimate excuse for continuing to dream of the day when rightwing revisionism will give way to a full-blooded attack on what Mr Dennis Skinner, the leftwing MP known as the Beast of Bolsover, calls the casino economy. Second, leftwingers see the death of the old clause as the first step in a process that will end in a break with the trade union movement, which originally established the party as its political arm.

As Labour & Trade Union Review, the leftwing journal, puts it, Mr Blair wishes "to marginalise the trade unions and dispense with socialist ideology," so that Labour can "reflect the interests of virtually all the people".

This sort of comment prompts smiles from the leadership, smacking as it does of Mr Blair's story about meeting a leftwing activist who complained he was dumping policies so fast that Conservatives would soon be voting Labour.

The left's suspicions are not wholly unjustified. Modernist ultras, grouped around the pro-Blair Labour Co-ordinating Committee, are already asking whether it makes sense for the unions to retain 70 per cent of conference votes in the democratised party.

On this view, Labour's relationship with the unions should be similar to the close but informal relationship between the Conservatives and the Confederation of British Industry, the country's largest employers' organisation.

All the signs are that this is a course which Mr Blair will eventually wish to follow. But he is well aware that further changes in the short term would inflict wounds that would almost certainly still be bleeding on polling day in the next general election.

UK NEWS DIGEST

Exporters' orders hit 18-year high

British manufacturers are enjoying their strongest export orders for at least 18 years, although domestic demand is weakening, says the latest industrial trends survey from the Confederation of British Industry, the country's biggest employers' lobby. Some 32 per cent of manufacturers questioned told the CBI their export orders were above normal, while 18 per cent said they were below average. This was the most buoyant response since the question was first asked in 1977. Exports have been strengthening since last autumn.

"The export-led recovery remains on a firmly upward path", said Mr Sudhir Junankar, the CBI's associate director responsible for economic analysis. "British manufacturers continue to win more business in overseas markets, which should help to support output growth over the coming months". Mr Junankar added that the buoyant export demand was unlikely to be a consequence of the recent weakening of the pound, as companies would not yet be confident that the movement was going to be be sustained. He said it was more likely the result of strong spending in overseas markets. *Robert Chote*

Investment falls

Net investment by UK institutions fell to £7.7bn ($12.16bn) inthe fourth quarter of 1994, the lowest level for more than four years. Total investment for 1994 was £45.4bn, down from the record £51.6bn in 1993. Institutions invested a record £18.2bn in UK government bonds during the year, up from £13.9bn in 1993. Net investment in gilts in the fourth quarter, at £4.3bn, remained at a high level, though lower than the figure of £5.7bn in the third quarter.

Net investment in UK company shares amounted to £15.2bn in 1994, slightly below the £16bn net investment seen the previous year. In the fourth quarter, net investment in shares rose to £2.9bn from the low level of £2.1bn in the third quarter. The final quarter of 1994, institutions sold a net £1bn of overseas securities, reversing net investment of £1.4bn in the third quarter. This reflected net disinvestment in overseas company shares of £1.9bn, partially offset by net investment in foreign government bonds of £0.9bn. *Simon London*

Television dispute

A dispute broke out yesterday between Sky Television, the satellite television company, and Channel 4 over funding of the British film industry. Mr David Elstein, director of programmes at Sky, accused Mr Michael Grade, chief executive of Channel 4, of "an abuse of public position" after he said Channel 4 would not allow films in which it had invested to be shown on pay television. "The Channel 4 board has lost control of its executive," said Mr Elstein at a lunch to emphasise Sky Television's £13m investment in British film production last year. He said Mr Grade showed "very long-term hostility to Rupert Murdoch's position in the British media". Channel 4's policy should not be set by "his personal political preferences". Mr Rupert Murdoch's News Corporation is the biggest stakeholder in Sky's parent, British Sky Broadcasting. Pearson, the UK media group which owns the Financial Times, also has a stake.

Mr Elstein said that, by investing in films aimed at Channel 4 audiences, Mr Grade was taking the British film industry up a dead end. *Raymond Snoddy*

Rebellious youth

Young Britons are showing a new spirit of rebellion, with girls increasingly rejecting pressures to conform, says a survey from Mintel, the market research company. Fewer young people want to be seen as responsible than two years ago, and increasing numbers want to be thought of as wild, unpredictable, creative and streetwise.

Mintel questioned about 900 15 to 24-year-olds in 1992 and 1994, showing them a list of 14 attributes and asking them which they would most like to be described as possessing. In 1992, 53 per cent of 15 to 24-year-olds wanted to be seen as sensible and responsible; by 1994 this had dropped to 49 per cent. Those wanting to be creative increased from 33 to 36 per cent, while those liking to be seen as wild and unpredictable rose from 12 to 15 per cent. *Diane Summers, Marketing Correspondent*

Prince backs native tongue: Prince Charles backed a campaign to preserve English as the dominant international language. But it should be "English English" not American, which was "very corrupting", he told reporters at a reception organised by the British Council.

The English version was "proper English", he said. Others tended to "invent all sorts of new nouns and verbs and make words that shouldn't be. I think we have to be a bit careful, otherwise the whole thing gets rather a mess," the prince said. The important thing was that "someone guards the actual quality".

The prince was speaking after the launch of English 2000, a five-year campaign to support British educational companies teaching English as a foreign language. The British Council believes the £500m industry is at risk from American and home-grown companies challenging British publishers and examiners in booming markets in the Far East and central and eastern Europe.

Police in drugs swoop: British police struck what was described as a major blow against violent hard drug traffickers when 25 people were arrested in a series of dawn raids yesterday. More than 500 officers armed with warrants swooped on 20 houses on Merseyside and an address in Cambridge in the climax of a long-running operation code-named Trojan. Heroin, cocaine and cannabis, together with cash, were seized in the raids. Weapons recovered included a loaded semi-automatic pistol, swords and machetes.

State group may try to buy part of its own network

Rail sell-off comes closer

By Charles Batchelor, Transport Correspondent

A total of 37 organisations have said they are interested in bidding for a train operating franchise when British Rail's passenger operations are privatised, the rail franchising director said yesterday.

This is fewer than ministers had forecast but more than critics of privatisation had expected. Many applicants are interested in more than one franchise, taking the total number of applications for the first eight franchises to more than 160.

British Rail, the operator of the state network, has itself registered an interest. But it is unlikely to be allowed to bid unless no other suitable offers are made. The announcement coincided with the launch by Mr Tony Blair, Labour party leader, of a campaign to halt rail privatisation. He claimed that the process had already cost £1.25bn, but that so far only one small quarry had been sold.

Mr John Major, the prime minister, described Mr Blair's claims as "fantasy figures". He said spending had been undertaken to modernise railways and not to prepare for privatisation.

Mr Blair said: "Labour will speak up for the mainstream majority in Britain who oppose this absurd plan and want rail privatisation stopped in its tracks." BR could have installed network-wide train safety systems, modernised the West Coast Main Line to Scotland and kept open Scottish sleeper services for the money spent on privatisation, he said. BR announced recently that sleeper services to north-west Scotland will soon cease.

In a surprise move yesterday, the franchising director said he would delay inviting tenders for Gatwick Express until preparations for franchising Network SouthCentral, which runs complementary services, had been completed. Some applicants had expressed an interest in both franchises.

The management of Gatwick Express revealed yesterday that it would bid for the SouthCentral franchise. Gatwick Express runs trains from London Victoria to Gatwick Airport.

Bank union snubs talks on merger

The trade union which represents most staff at Barclays Bank yesterday spurned an offer of merger talks from Bifu, a rival finance union, Andrew Bolger writes.

The unwelcome invitation came on the day the Barclays Group Staff Union was officially renamed Unify, though it will continue to represent only employees in Barclays – at least for the time being.

Mr Paul Snowball, general secretary, claimed Unify signalled a dramatic change in direction for trade unions in the finance industry. "A new era has dawned; one in which banking and finance sector businesses, employees and their unions will work more closely than ever before to overcome the obstacles of this uncertain age."

Mr Leif Mills, general secretary of Bifu, said: "The only way to unify staff in Barclays and the other banks is to create a single finance union.

"Events in the finance sector are fast developing – job losses, branch closures, reorganisation and new working patterns. It makes sense if we could sink our previous differences and unify in a single staff association."

Unify represents 38,000 Barclays employees – 60 per cent of the total – and has a further 10,000 pensioner members. It sees little benefit from merging with Bifu, which has 135,000 members but only about 8,000 in Barclays.

The move comes the day after Midland Bank – an offshoot of HSBC – announced it was to shed 1,745 management level jobs in the UK.

Terms set for Ireland talks

By James Blitz in London and John Murray Brown in Dublin

The government yesterday put renewed pressure on Sinn Féin, the political wing of the Irish Republican Army, to make a clear commitment on decommissioning its weapons in Northern Ireland. The government emphasised that this was essential to the upgrading of talks between both sides.

Amid growing speculation that a British minister could soon be involved in exploratory negotiations with the republican group for the first time, the UK government sent Sinn Fein leaders a letter restating conditions for such a meeting. British officials said Sinn Féin was still short of accepting UK demands on the decommissioning of arms set out in a letter to republican and loyalist pro-British paramilitary organisations this week.

"We have not yet received from Sinn Féin the kind of commitment and assurance that will allow a minister to go into the exploratory phase," a Downing Street official said in London.

He made clear there was no precise indication yet of when the next meeting between the two sides could take place, though there is a widespread expectation that Sinn Fein representatives will have their first meeting with Mr Michael Ancram, a Northern Ireland minister in the British government, next week. An official at Downing Street said there was no question of the British government being prepared to meet the Sinn Féin demand that preliminary ministerial talks would include discussion of "demilitarisation", or a reduced role in Northern Ireland for the Royal Ulster Constabulary (the Northern Ireland police force) and the British army.

"We are not in the business of negotiations with Sinn Fein about the army or the RUC," the Downing Street official said. "We are prepared to say to Sinn Féin that the position of the security forces is a matter for local commanders, the chief constable of the RUC and the GOC of the army."

Ombudsman is asked to investigate advisory role of companies

Export credits agency is challenged

By James Blitz at Westminster

Two Labour MPs from northern England yesterday filed an unprecedented application to Mr William Reid, the parliamentary ombudsman, asking him to inquire whether conflicts had arisen in the operations of the Export Credits Guarantee Department.

In the first application of its kind from MPs, they asked Mr Reid to put pressure on the Department of Trade and Industry to reveal a full list of companies which have received ECGD contracts since 1983.

Earlier this year, Mr Richard Needham, trade minister, said it had been the policy of successive governments "not to disclose information about commercial relations between ECGD and commercial companies unless the relevant parties have agreed to do this".

At a press conference at Westminster yesterday, Mr Byers said yesterday that he wanted to find out whether there was an overlap between companies receiving ECGD cover and those which have senior members on a body called the Exports Guarantee Advisory Committee, which has an important role advising ministers on which contracts deserve to receive cover. Its 11 members include senior representatives of Balfour Beatty, General Electric Company, N. M. Rothschild and Bovis Construction.

Mr Stephen Byers, one of the two MPs, pointed out yesterday that ECGD was responsible for dispensing some £10bn of taxpayers' money between 1991 and 1994. "It is unacceptable for private companies to have power of veto over whether MPs are provided with information on public money."

MANAGEMENT

Hard times for Japanese bosses

Cost-cutting companies expect their executives to be the first to make sacrifices, writes **Emiko Terazono**

Times are bad for Japan's company bosses. While executive remuneration in the west has risen sharply over the past few years, Japan's prolonged profit slump has taken its toll on the salaries of corporate heads.

Sluggish share prices, the rise in the yen, and lower consumer demand have forced Japanese companies to review their costs; and many included cuts in executive compensation as part of their strategy.

According to Seikei Research Institute, a private research organisation, the average annual income – including bonuses – of presidents of 38 blue chip companies listed in the first section of the Tokyo Stock Exchange, has declined for the second consecutive year. It fell 3 per cent last year to Y36.2m (£257,000).

Executives at leading trading houses, including Mitsubishi and Marubeni, were among last year's casualties, while the chairman and president of Japan Airlines saw a pay cut of 30 per cent.

Unlike companies in Europe and the US, where shareholders reward executives and CEOs for cutting costs, management in Japan is expected to sacrifice its compensation first, before imposing restructuring on the rest of the employees.

The system is based on the belief that corporate profits are tied to the performance of the organisation rather than that of an individual. The principle has led to an egalitarian remuneration system, in which extremes of compensation are avoided.

But while it has helped corporations to avoid frustration and friction within the organisation, the reward system has recently come under fire.

Some academics and members of the business community are calling for higher executive pay in order to revive business confidence.

These calls are linked to criticism that Japan's industries and companies currently lack the strong leadership needed to recover from the prolonged slump.

Ashley Ashwood

Japanese workers: not the first to feel the pain when the pay cuts arrive

A Japanese journalist on a leading business magazine writes: "The problem is that Japanese companies lack a system where executives who take strong leadership and change things for the better are not compensated properly."

The critics have dubbed the small difference in payments between employees and management "bad equality" and claim that it is a disincentive for executives trying to enhance corporate performance. They claim that higher remuneration, which will be accompanied by stricter evaluation of the executive's performance, will revive Japanese companies which have lost the confidence they had in the last decade.

Such reasoning seems natural at a time when an increasing number of Japanese companies are shifting away from the traditional payment system based on seniority and introducing western-style results-oriented schemes.

But a technical barrier to higher remuneration is Japan's income tax system. Japan imposes a progressive income tax system on workers, as a result of which high income earners are faced with an income tax bill of up to 65 per cent. Sadao Ota, head of Seikei, points out that high income taxes keep executive pay at artificially low levels.

Other benefits, often cited as compensation for low cash remuneration, also hamper the performance of executives, according to critics. They say that company housing, golf club memberships and chauffeured company cars only provide an incentive for corporate presidents to cling on to the job longer, irrespective of their abilities.

And while executives do receive large retirement packages which are subject to special tax treatment, this only induces them to stay on the company's payroll longer since the package increases with the length of employment. Other long-term performance incentives, such as share-option schemes, simply do not exist.

Reducing income tax levels for earners in high income brackets has been one of the government's aims over the past few years. However, while the ministry of finance's advisory committee on taxes has been advocating such measures, public debate has stalled because the decline in fiscal revenue needs to be offset by a rise in consumption tax.

Does this point to the long-term demise of corporate Japan?

Koji Aoyagi of Wyatt, the business consultants, refutes claims that raising executive remuneration will lead to stronger leadership.

"Japanese presidents aren't necessarily chosen on the basis of leadership. Those who have managed to maintain an unblemished record tend to climb to the top," he says.

Rather than thinking of ways to increase compensation, Japanese companies should review the selection process of their executives.

What needs to be done first within many Japanese companies, says Aoyagi, is to establish a new system which will place those with ability and leadership on top.

Reuters

Victory run: Will Carling has been able to channel management theory into his role as captain

Captaining the business squad

Richard Donkin finds top performers who believe that the sporting environment has a lot to teach managers

Members of the England Rugby Union squad were handed pencils and paper recently and asked to outline their views on the captain. In the atmosphere of the locker room there had never been a shortage of opinions, but this was different.

"I thought that some formal upward appraisal might be useful and so it proved. I think it is something all managers should do," says Will Carling, the England captain.

How many sheets of A4 they managed to fill he did not say, but this is one of several ways Carling has chosen to apply personnel management theory on the sports field.

Carling has proved to be the ideal person to transfer skills and experiences between two different areas of work: he is able to channel management theory into his captain's role and, conversely, to pass on lessons learnt playing rugby to managers.

Insights, the management development business he runs with a number of other sports people and sports psychologists, provides regular seminars that analyse, adapt and transfer to managers the principles of success in sport.

Not all his colleagues have played the captain's role. Some, like Adrian Moorhouse, the Olympic gold medallist swimmer followed a particularly single-minded regime to take them to world record status.

Now 30, he retired from competitive swimming two years ago. "When you pack in swimming that's it. It is no use to anyone," he says. In fact, he found that he learned much during his competitive days that can be useful to people in business.

As Moorhouse points out, his competitive role was less solitary than it might have seemed and, unlike some sports people in the past who might have been described as products of their coaches, he insists that he was very much in charge.

"It was certainly not a case of the loneliness of the long distance runner. I had a physiotherapist, physiologist and a nutritionist. I had to manage the people around me," he says.

Like Carling, he discovered at a very early age that he wanted to reach the pinnacle of his chosen sport. By the age of 12, Moorhouse says he knew that he wanted to be world champion.

"My coach didn't laugh," he says. "He smiled but he didn't laugh." Carling had a similar goal. "I knew when I was aged seven that I wanted to play rugby for England," he says.

It may be impossible to replicate such ambition in management but Insights believes that the sporting environment has much to teach managers. Carling has read management books by experts such as Peter Drucker and Tom Peters.

"What we have tried to do is to take the messages of these people that we have identified as being particularly useful to us, and to relate how they worked in a sporting context."

Insights picked certain qualities it considered useful for personal development, including leadership, motivation, negotiation, team building, the pursuit of excellence and balancing life with work.

Moorhouse says: "I knew several people who had the right physical attributes and levels of fitness for competitive swimming but when it came to a race, they wilted. The mind plays a very large part in such competition."

Carling has been discussing captaincy with Mike Brearley, the former England cricket captain. Brearley, a practising psychoanalyst who often contributes to Insights seminars, stresses the importance of the act of listening in the leadership role, something which Carling has found useful in his own captaincy.

He contrasts the often harsh sporting environment with that of many businesses in which, he says, too many managers have been able to hide for too long. "In business there seem to be more excuses for not doing things. In the England team if you don't perform for a number of games, you get dropped. That is the big difference."

The issues in sport are often clear cut and changes created by managers are often more obvious. Geoff Cook, the former England Rugby Union team manager, adopted a team, says Carling, that had not been playing well.

"He picked the same people who had done nothing for four or five years and he gave them a vision."

Part of this involved a long term goal: he told the players he thought they were the people who would go to the 1991 World Cup. That enabled them to fix their sights on a particular goal.

"Companies can do this but too often people have only short-term outlooks," says Carling.

He is constantly on the lookout to strengthen his Insights team. Some of his recruits include Rebecca Stevens, the first British woman to climb Everest and Tracy Edwards who skippered the first all-woman crew in the Whitbread Round the World yacht race.

Translating sport into business is developing into a lucrative market.

Another successful proponent is David Whitaker who coached the British men's hockey team towards their Olympic medal in 1988. His company, Performance Consultants, includes David Hemery, the 1968 Mexico Olympics 400m hurdles gold medallist.

Says Hemery: "Not everyone may be good at sport, but it does help to draw out key learning points".

BUSINESSES FOR SALE

REPEAT CALL FOR TENDERS FOR THE SALE OF A GROUP ASSETS OF "I.N. STASINOPOULOS A.E.B.E.", OF ATHENS, GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 1 Skoulenion Str., Athens, Greece, in its capacity as Liquidator of "I.N. STASINOPOULOS A.E.B.E." a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of article 46a of Law 1892/1990, by virtue of Decision No.5069/1994 of the Athens Court of Appeal.

announces a repeat call for tenders

for the sale of the group of assets, as a single whole, mentioned below.

BRIEF INFORMATION

The Company was established in 1953. In 1978 it became bankrupt and on 3.11.94 it was placed under special liquidation according to the provisions of article 46a of Law 1892/1990. Its objectives included the production of pipes and metal constructions.

ASSETS OFFERED FOR SALE

A factory (not containing mechanical equipment or machinery) standing on a plot of 3,488 sq.m. located in Moschato Municipality, between Lefkon, Haidiri and Cyprus Streets.
The factory is leased to third parties since 1981.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain the Offering Memorandum in respect of the Company and its assets upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/91 and subsequently amended), the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespectively of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: Interested parties are hereby invited to submit binding offers, not later than Monday, April 17th 1995, 12.00 hours to the Athens Notary Public Mr. George Stefanakos, address: 39, Akadimias Str., 391 06 Athens, Tel.: +30-1-645.04.22 and +30-1-645.04.23. Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate, if any). In the event of not specifying: a) the way of payment, b) whether the credited amount shall bear interest and c) the interest rate, then it shall be the legal rate from time to time in force. In all cases where the credited amount bears interest, this shall be calculated on the basis of the outstanding amount and shall be payable on the dates of payment of each instalment. Binding offers submitted later than the above dates of payment of each instalment. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of a third party to be nominated at a later stage shall be accepted under the condition that express mention is made in this respect upon submission and that the offeror shall give a personal guarantee in favour of such third party, for the compliance of the obligations deriving from the sale contract.
3. Letters of Guarantee: Binding offers must be accompanied by a Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The Letter of Guarantee must be for the amount of DRS. TWENTY MILLION (20,000,000.-) Letters of Guarantee shall be returned after the adjudication.
4. Submissions: Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on Monday, April 17th 1995, 14.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged by creditors representing over 51% of the claims against the Company (the "Creditors"), upon recommendation by the Liquidator, to be in the best interests of all the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value to be calculated by employing a 22% annual discount interest rate, compounded yearly.
7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and for any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature, including any tax, duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by the applicable Law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the participants and the purchaser respectively.
9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this Invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

In order to obtain a copy of the Offering Memorandum and any further information please apply to the Liquidator "Ethniki Kephaleou SA, Administration of Assets and Liabilities", 1, Skoulenion Str. Athens 10561, Greece, Tel.: +30-1-323.14.84-7, Fax.: +30-1-321.97.85 (attention of Mrs. Marilia Frangakis).

WEBER INSOLVENCY - CAPRI No. 878/89

on 28th April 1995 at 12.00 am, The Law Court of Naples sells complex called Weber Hotel, 118 Marina Piccola St., Capri, in front of Judge Parisi. The complex is on 5910 sq. m. of grounds and buildings. It consists of 53 rooms and one suite of 60 sq. m. provided with all accessories in working order. A swimming pool - already designed - might also be realised. All is better described and specified in the technical consultancy report deposited at the Chancery. Opening price Lit. 15,500,000,000 deposit 30%. Information Chancery or official receiver lawyer Massimo Di Lauro.

TELEPHONE NUMBERS: +39/81/661929 - 7611977
FAX: +39/81/7612026

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE NO 001666 OF 1995
CHANCERY DIVISION
MR REGISTRAR BUCKLEY
IN THE MATTER OF POLLY PECK INTERNATIONAL PLC (IN ADMINISTRATION)
AND
IN THE MATTER OF THE COMPANIES ACT, 1985

NOTICE IS HEREBY GIVEN that by an Order dated 21st March 1995 the Court has directed separate meetings of (1) the creditors of the above-named company (the "Company") other than those whose claims are derived only from the Company's guarantees of the debts of Polly Peck Finance Plc and (2) the creditors whose claims are derived from the Company's guarantees of the debts of Polly Peck Finance Plc, respectively to be convened for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the said company and the creditors and that such meetings will be held at Westminster Central Hall, Storey's Gate, London SW1H 9NH on 26th April 1995 at the respective times mentioned below, namely:

(1) At 11.30 am the Meeting of all creditors other than those whose claims are derived only from the Company's guarantees of the debts of Polly Peck Finance Plc;
(2) At 11.35 am or so soon thereafter as the preceding meeting shall have been concluded the Meeting of the creditors whose claims are derived from the Company's guarantees of the debts of Polly Peck Finance Plc;

at which place and respective times all the creditors are requested to attend.

Any creditor entitled to attend the said meetings can obtain copies of the said Scheme of Arrangement, form of proxy and copies of the Statement required to be furnished pursuant to section 426 Companies Act 1985 from the Administrators of the above-named company c/o Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL (ref: JPW) and also at the following offices of the international organisation of Coopers & Lybrand: 1301 Avenue of the Americas, New York, New York 10019-6013, USA (ref: PC); 50, Avenue Guiseppe-Motta, CH-1202, Geneva, Switzerland (ref: DF); Stampfenbachstrasse 73, CH-8006, Zurich, Switzerland (ref: AB) and Bockenheimer Anlage 15, 60322, Frankfurt am Main, Germany (ref: DK); and from the office of the undermentioned solicitors at the address mentioned below during usual business hours on any day (other than a Saturday, Sunday or public holiday) prior to the day appointed for the said meetings.

The creditors (if not corporations) of the above-named company may vote in person at the said meetings or any creditor may appoint another person, whether a creditor or not, as their proxy to attend and vote in their place. A corporate creditor may also appoint a representative under section 375 Companies Act 1985.

Forms appointing proxies must be lodged with the Administrators of the said company c/o Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL (ref: JPW) not later than 5pm on Friday, 21st April 1995. Proxy forms not lodged by this time will not be accepted.

By the said Order the Court has appointed Christopher John Barlow or failing him Ian Douglas Barker Bond to act as Chairman of the said meetings and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 22nd day of March 1995.

Solicitors for the administrators: Cameron Markby Hewitt, Sceptre Court, 40 Tower Hill, London EC3N 4BB.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Fibreway Limited ("the Licensee") to run telecommunication systems throughout Great Britain. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. He proposes to apply the Telecommunications Code ("the Code") by virtue of section 10(2)(b) of the Act, subject to certain exceptions and conditions to Fibreway Limited to run telecommunication systems throughout Great Britain. The effect of these exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with the various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(f) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

3. The reason why the Secretary of State proposes to apply the Code to Fibreway Limited is that it appears to the Secretary of State that:

i) the running of the telecommunication systems will benefit the public; and

ii) it is not practicable for the telecommunication systems to be run without the application of the Code.

4. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

5. Representations or objections may be made in respect of the the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 5 May 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071-215 1756.

Alan Proud
Department of Trade and Industry

24 March 1995

LEGAL NOTICES

WALTER PETER JOSEPH CLARK DECEASED

PURSUANT TO SECTION 27, TRUSTEE ACT 1925 (AS AMENDED)

NOTICE IS HEREBY GIVEN that any person having a claim against or an interest in the Estate of WALTER PETER JOSEPH CLARK, late of 18 PARK SHEEN, DERBY ROAD, LONDON SW14, who died on 17TH JULY 1994, and whose Will was proved on 3RD FEBRUARY 1995, is required to send written particulars to the undersigned by 26TH MAY 1995, after which date the Executor will distribute the Estate of the said Deceased among the persons entitled thereto having regard only to the claims and interests of which he shall then have had notice.

Dated 16 March 1995
A.C.S. HARDS & CO
17a HIGH STREET, NEW MALDEN, SURREY KT3 4DA
Solicitors for the said Executor

COMPANY NOTICES

SPANISH 4% EXTERNAL LOAN (1974 Issue)

The coupons due 1st April 1995 may be presented for payment at Banco Exterior de España S.A., 1-4 Great Tower Street, London EC3R 5AH between the hours of 10am and 2pm.
London, 24th March 1995.

ARTS

Pay up, or face the cultural cost

Basle's international reputation in the arts world has slumped as cuts in funding have led to a drain of talent. The city fathers should think again, writes Andrew Clark

City of cost-cutting or city of culture? Basle cannot make up its mind. Like other recession-hit cities in central Europe, Basle needs to reduce public spending – but it also values the international prestige generated by a lively cultural scene.

The contradiction between the two is only just beginning to dawn. Basle wants to bid for the title of European City of Culture in the year 2001. If successful, it would be the first Swiss city to receive the honour. The bid would reflect Basle's pivotal location on the border with France and Germany, and its long traditions in music and the visual arts. This is where Europe's first public museum was founded, where Paul Sacher premiered masterworks by Bartók and Boulez, where Montserrat Caballé and Anne-Sofie von Otter served their operatic apprenticeship.

But Basle is only just coming to terms with a savage round of spending cuts, introduced two years ago to reduce a SFr460m (£250m) deficit. The cuts – belying Switzerland's image as a country of unlimited means – have sapped the vitality and confidence of major arts institutions. The city's seven public museums, for example, have had to extend admission charges and close parts of their collections. Its two full-time orchestras are being squeezed to a point where amalgamation seems inevitable. The municipal theatre faces a mammoth 30 per cent drop in subsidy. As a result, Basle's international reputation in the arts world has slumped.

"We do not deserve to be a European City of Culture," says Siegfried Schibli, cultural editor of the *Basler Zeitung*. "But it would encourage the politicians to do more for the arts. They don't realise how easy it is to lose a reputation, and how long it takes to build again. They want the reputation, but they don't want it to cost anything."

Of all the spending cuts, the most controversial was the decision to chop the theatre budget by nearly a third. With its own opera, ballet and drama ensembles, the Basle theatre is a focal point of the city, and draws its audiences from far beyond. It has a knack of attracting singers on the verge of big careers, and until recently was highly regarded in the German-language drama world. The Basle public is renowned for its openness to new works, contemporary trends and controversial production styles.

The cut in funding led to a drain of talent – accelerated by the disastrous choice of Wolfgang Zörner as theatre director. Since Zörner's forced resignation last year, the company has been run on a caretaker basis by an experienced German, Hans-Peter Doll. A new director, 34-year-old Michael Schindhelm, will take control next year.

The theatre's plummeting fortunes have prompted the city fathers to think again. They have asked Schindhelm for fresh proposals, to be debated by the Basle parliament this summer.

If Schindhelm's plans are approved, additional funds may be available. He says the theatre already operates more efficiently than most German theatres. "We could plan our programme more carefully. We could try to save on set-design and singers' fees. But you can't get good singers and directors for half the money they're paid elsewhere. A certain artistic standard requires a certain level of funding. Does Basle want to be provincial?"

The theatre will also be affected by the fate of the Basle Symphony Orchestra and its radio counterpart, which divide their time between opera and concerts. Over the next four years the city aims to reduce its orchestral subsidy by 22 per cent, and the Swiss Broadcasting Corporation will sever links with the Basle Radio Symphony Orchestra. If the two orchestras are amalgamated, there will be less flexibility in the opera programme and fewer concerts.

The orchestras are unable to campaign effectively against the changes – largely because their administration is split between a variety of organisations, none of which has the clout to take action alone. A further complication is the fraught relationship between Basle and the surrounding canton of Basle Land, which has so far refused to contribute funds. And in Switzerland, the arts receive no federal subsidy.

Like the orchestras, Basle's museums – housing one of Europe's finest collections of paintings, drawings and antiquities – are suffering from loss of motivation. They were originally told to reduce spending by 15 per cent. This proved unworkable, because they were already chronically undermanned. Instead, they have doubled income by extending admission charges and developing the museum shop.

Officials are now studying a proposal to cap the museums' SFr33m subsidy and remove bureaucratic controls on spending. The museums' director, Katharina Schmidt, says this would help long-term planning. She has lined up a Jasper Johns retrospective for 1997, but under present rules it has to await government approval.

Schmidt says "real cultural work has to have a certain kind of freedom – it needs to be appreciated because of itself rather than as a branch of economics. That doesn't mean I don't love huge crowds and a big income. But if you adopt a policy of popularisation, and economics are the only criteria, the long-term implications for a collection like this are very serious."

Not all is doom and gloom. *Treasures of Basle*, a special exhibition drawn from the city's museums, was the centrepiece of last week's European Art Fair in Maastricht. Visiting Basle politicians were impressed by the expressions of admiration it drew from international dealers and connoisseurs. Basle will stage its first antiquities fair in September, to set alongside its well-established contemporary art fair.

The city's musical life has also received a fillip from the arrival of a new music director of proven experience. Walter Weller will supervise two opera productions each season and give regular concerts. He made his local operatic debut last month conducting Richard Strauss's *Die Frau ohne Schatten*, with an international cast headed by British soprano Vivian Tierney.

Richard Avedon's photograph of the model Twiggy at the 1968 Paris collections

Sophistication, but no soul

Richard McLure reviews the work of photographer Richard Avedon

It is hard to imagine a more appropriate time for a Richard Avedon retrospective. Although catwalks have returned to the haute couture elegance which the American photographer epitomised in the 1950s, his profession has also been subject to a twin assault in recent weeks.

The 70th anniversary of the New Yorker (where Avedon is the staff photographer) sparked renewed protests over its descent into a "lifestyle" magazine under Tina Brown. "It is TV for the page: wrapping for ad sections," sniffed the New York Observer.

Meanwhile, Robert Altman's albeit limp satire, *Prêt-à-Porter*, has heaped scorn on the fripperies of the fashion world which Avedon, now 72, has inhabited for half a century. Chief among the film's parade of grotesques is a manipulative photographer who humiliates a trio of fawning magazine editors.

It is a long way from the playful glamour of 1956 when Fred Astaire portrayed a thinly disguised Avedon in the film *Funny Face*. Then fashion was free to be frivolous and superficial. In the knowing 1990s, however, Avedon himself describes his 1950s work for *Harper's Bazaar* as a "vacation from life" and expresses unease about being viewed "merely" as a fashion photographer.

Still, given his stature in the field, he has included surprisingly few pictures from that era in the exhibition *Evidence: 1944-1994* at the National Portrait Gallery. Perhaps it is a wise decision. Grouped together, his celebrated fashion-in-motion images expose Avedon as a one-trick pony.

Here is Suzy Parker leaping in 1956; Veruschka prancing in 1965; and Jean Shrimpton bounding in 1970. For all their airy exuberance, they rarely transcend the confines of artificial vitality. The pictures cry out for the humour of William Klein, Avedon's rival on *American Voice*, who usurped the genre with parody, "like the warning on a pack of cigarettes."

Instead, the exhibition focuses on stark, confrontational portraits of the intelligentsia, which Evelyn Waugh described as showing "extremities of boredom and distaste". Certainly, Avedon is enthralled with the liver-stained, bleary-eyed marks of mortality. Somerset Maugham wished Avedon had made him look more like a man and less like a camel, but he gets off lightly compared with a dissolute Dorothy Parker and a disintegrating Baroness Blixen.

Often, the portraits echo the discomforting work of Diane Arbus, Avedon's close friend who committed suicide in 1971. Avedon sought out in high places the loneliness and despond which Arbus found among the freaks and misfits of Coney Island lowlife. He discovered it in the mournful uselessness of the Duke and Duchess of Windsor, and the jaded sadness of Marilyn Monroe. Each is photographed against Avedon's trademark white background, a device he has used throughout his career.

The uncluttered simplicity is hugely effective in exaggerating models' theatrical poses or suggesting the isolation of creative minds, but it is less suited for other projects. For his five-year study of the blue-collar workforce, *In the American West* (1985), Avedon photographed an array of janitors, migrants and meatpackers in front of a sheet of white paper. As an exercise in physiognomy it is arresting enough, but as a critique of rural poverty in Reagan's America, it is wholly inadequate, blotting out the social forces which carved those faces.

Likewise, his pictures of his dying father graphically convey the ravages of cancer but reveal nothing about Avedon's relationship with him. He remains as anonymous as the thousands of marines Avedon photographed for ID cards during his formative years.

Defending this inability to see beyond the face or gesture, Avedon has claimed: "It might have something to do with my myopia. The details in the background have always distracted me. Too much irrelevant information." But details are seldom irrelevant; they have provided important signifiers ever since Walker Evans documented the 1930s Depression by photographing "the street smell, fake culture, bad education, religion in decay, sex, advertising, and a lot else".

Avedon's own reportage is unremarkable and scattered almost apologetically throughout the show. His street shots of Harlem, commissioned for *Life* magazine in 1949 but never printed, are accompanied by New Year's Eve celebrations at Berlin's Brandenburg Gate 40 years later. Intended to mark the collapse of communism, it could be revelry in Trafalgar Square for all the historical and emotional information we are given.

The results from his 1971 assignment to Vietnam – napalm victims displaying their melted faces – should serve as a reproach to the War Council, but set amid Dior dresses, their agony is trivialised, seeming just another variant on the photographer's fascination with facial texture. While Don McCullin is plagued by nightmares after his war experiences and photographs flowers to try and calm his "burning skin", Avedon now takes pictures of Brooke Shields in Guess jeans.

It is a telling contrast. Sophistication may be present at this exhibition, but life is elsewhere.

Richard Avedon: Evidence 1944-1994 is at the National Portrait Gallery until June 11.

Theatre/Ian Shuttleworth

Borders of Paradise

Sharman Macdonald is burning the theatrical candle at both ends. While *The Winter Guest* at the Almeida articulates the feelings, booms and curses of ageing, she turns her attention almost simultaneously to the moment at which youth becomes young adulthood in *Borders of Paradise*.

Her desire to give a voice worthy of respect to this teen no-man's-land means that she overwrites as often as not, but the play also touches at instants on an inchoate generational spirit.

Half way up Emma Donovan's vertiginous cliff-side set, Scots teenagers Rose and Ellen have pitched their tent – the former fleeing the creepy attentions of a teacher, the latter keeping her company as best friend.

A group of Thames estuary lads come to the same Devon beach to ride the waves, and the interaction (and lack of it) between the two parties forms the matter of the play.

This is more than what Private Eye would call a zitcom. Adolescent sexual preoccupations share space with Emily Dickinson and Nirvana, with self-mutilation (Macdonald darkly reclaims the motif of compasses from the terrain of metaphysical poetry) and obsessions with Kettle chips.

Love is defined on the one hand as the inspiration to surf safely back to shore through treacherous seas, on the other as the sensitivity not to finish your stammering friend's sentences for him.

Macdonald's script, too, surfs the breakers of awakening maturity. She tries to fill the entire canvas of her characters, approaching their hearts from the direction of their heads (unlike, say, Richard Cameron, who prefers the opposite route).

Often this results in speeches whose elliptical phrasing is finely put together, but simply not designed to be delivered on stage by young actors. When she does crystallise moments, however, her words verge on that faltering youthful song at the edge of hearing that we sometimes wish we could remember for ourselves.

Pauline Turner and Kathy Kiera Clarke have more unambiguously fine moments as the girls: not only are the dynamics of a twosome easier to manage, but the rhythms of Scots dialogue are more comfortable for the writer.

The boys' conversation is harder to pull off: its diffuseness and discontinuity mirror those of contemporary youth culture, but also hinder a clutch of promising young actors from finding a coherent line of character and holding to it.

Sharman Macdonald's script as well as her characters surf the breakers of awakening maturity

Its erratic register makes it an often frustrating play to watch and listen to. However, in striving to find words for that cusp of adult consciousness, *Borders of Paradise* should strike a chord in the memories of most of its audience.

As Lou Stein's final production at Watford, it encapsulates the forceful middle ground which an unfortunately growing number of rep theatres now feel unable to tread: not the pioneering experimentalism which too often alienates their audience base, but gently and thoughtfully pushing open the envelope of mainstream drama just a fraction.

At the Palace Theatre, Watford, until April 8 (01923 225671).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Schoenberg Trilogy: new productions of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" and the first time these three one-act operas are playing in one performance. With David Wilson-Johnson, Isoldé Elchlepp and conductor Winfried Maczewski; 8pm; Mar 25, 28

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 25, 29 (8pm)
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 24, 30 (7.30pm)
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 26
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Mar 26 (6pm), 29

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 8211
● Collegium Vocale Ghent: with soprano Sibylla Rubens and alto Andreas Scholl. Phillippe Herreweghe conducts Bach; 8pm; Mar 27
● Violin and Piano Recital: violinist Shlomo Mintz and pianist Georges Pludermacher plays Beethoven, Enescu and Hindemith; 8pm; Mar 29

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Kirov Orchestra St. Petersburg: Valery Gergiev conducts Stravinsky and Tchaikovsky; 8pm; Mar 30

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra with tenor Ben Heppner and baritone Thomas Hampson to play Mahler and Rott; 7.30pm; Mar 26
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra to play Schumann and Boulez; 7.30pm; Mar 29
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Beethoven and Strauss; 7.30pm; Mar 28
Royal Festival Hall Tel: (0171) 928 8800
● Grand Classical Gala: National Symphony Orchestra conducted by David Coleman plays a variety of operatic pieces; 7.30pm; Mar 26
● Royal Choral Society: with the English Chamber Orchestra and soloists Susan Gritton and Michael George. Richard Cooke conducts Saint-Saëns and Brahms; 7.30pm; Mar 28
● Royal Philharmonic Orchestra: Vladimir Ashkenazy conducts Beethoven and Shostakovich; 7.30pm; Mar 25
● Royal Philharmonic Orchestra: with pianist Radu Lupu. Marek Janowski conducts Schumann, Beethoven and Brahms; 7.30pm; Mar 30
Wigmore Hall Tel: (0171) 935 2141
● Song Recital Series: with baritone Thomas Hampson and pianist Wolfram Rieger in a programme of Grieg, Mahler and Butterworth; 7.30pm; Mar 24
GALLERIES
Serpentine Tel: (0171) 402 0343
● Take Me (I'm Yours): a unique opportunity to touch, use, test, buy or take away the objects in this exhibition that has been selected by Swiss curator Hans Ulrich Obrist; from Mar 24 to May 1
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 25, 29
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 24, 28, 30
Royal Opera House Tel: (0171) 304 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 25 (7pm)
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 29
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Mar 27

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Wiggleworth's Debut: with pianist Lars Vogt. Mark Wigglesworth conducts Beethoven's "Piano Concerto No.2" and Shostakovich's "Symphony No.7" on his debut performance with the Los Angeles Philharmonic; 8pm; Mar 30

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: Sir Colin Davis conducts an all-Sibelius programme; 8pm; Mar 24, 25
● New York Philharmonic: with soprano Sylvia McNair, baritone Hakan Hagegard and the Westminster Symphonic Choir. Kurt Masur conducts an evening of choral music by Brahms; 8pm; Mar 29, 30
Carnegie Hall Tel: (212) 247 7800
● Orchestra of St. Luke's: with soloist Alicia de Larrocha. André Previn conducts Mozart and Haydn; 8pm; Mar 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 25
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 24, 30
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Mar 27
● Tosca: by Puccini; 8pm; Mar 25, 29
New York City Opera Tel: (212) 307 4100
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Mar 25, 28

■ PARIS

CONCERTS
Various Venues Tel: (1) 43 85 66 00
● Banlieues Bleues: month long jazz festival. Artists include Betty Carter, Abbey Lincoln and Shirley Horn; to Apr 15
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 25, 28, 30
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 29

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Robert McDuffie and organist William Neil. James Paul conducts Berlioz, Bernstein and Saint-Saëns; 8.30pm; Mar 24, 25
● National Symphony Orchestra: with pianist Barbara Nissman. Barbara Yahr conducts Kernis, Prokofiev and Rachmaninov; 8.30pm; Mar 30
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 25 (7pm), 27 (7pm), 30
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 26 (2pm), 28
THEATRE
Kennedy Center Tel: (202) 467 4600
● The Art of the Samurai: a two-part programme that includes a demonstration of Samurai sword fighting and a performance of Akho-Gishi, a Japanese historical drama from the Edo period (1600-1868) directed by Takashi Ishiguro; 7pm; Mar 27, 28

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Heavy price of past follies

Belgium's bribery scandal will have a marked effect on elections in May, says **Lionel Barber**

Belgians like to say they belong to *"le pays du non dit"* – the country that keeps its mouth shut.

Sealed lips served them well during centuries of occupation by Gallic hordes, the Spanish, the Dutch, the French and the Germans. But the case for silence is becoming harder to defend in the face of a growing bribery scandal which has shaken the country.

The scandal has already led to two deaths, one of which was the suicide of a Belgian air force general. It also threatens to topple Mr Willy Claes, the Belgian secretary general of the Nato alliance. The latest victim emerged on Wednesday evening when Mr Frank Vandenbroucke, the youthful Belgian foreign minister, tendered his resignation.

One of the more promising politicians of his generation, Mr Vandenbroucke stepped down after admitting that he had issued an order in 1991 to burn money donated to the Flemish socialist party (SP), of which he was then president, because he could not account officially for the sums.

Mr Vandenbroucke's money-burning disclosure was the latest twist in the Agusta affair, a scandal which strikes at the heart of Belgium's cosy coalition politics in which political parties wield disproportionate power. The suspicion is that it also fits into a pattern of political corruption, which has been exposed with devastating results in Italy and, to a lesser extent, in France.

The future of Willy Claes (left), Nato secretary-general, is uncertain, but Frank Vandenbroucke, foreign minister, has quit

The story begins in late 1988 when Agusta, the Italian helicopter manufacturer, was trying to sell 46 attack and reconnaissance models to the Belgian army. The Italians, it later emerged, sought to secure the contract with a payment of BFr50m to the Flemish socialist party, three of whose prominent members were Mr Claes, Mr Vandenbroucke, and Mr Karel van Miert, currently EU competition commissioner. At the time, Mr van Miert was on the point of leaving his post as party chairman to join the European Commission.

In those days, companies could make financial contributions to political parties deductible against tax. Mr Van Miert and Mr Vandenbroucke campaigned both for a tightening of the rules on outside contributors and for public financing of political parties. Their goal was to ease the pressure on parties that were constantly cap-in-hand because Belgium's fragile coalition politics made the country election-crazy in the 1980s.

Uncertainty about whether the Agusta "gift" entered party accounts before or after the helicopter contract was signed has enabled all involved to protest their innocence and lay the blame on Mr Etienne Mangé, the SP treasurer, who is currently in detention.

However, Mr Claes, who has a habit of shooting from the lip, was recently forced to amend his blanket denial of knowledge of the offer of money. His U-turn followed Mr Vandenbroucke's earlier admission that he discussed payments with Mr Mangé. Mr Claes now says he knew about the bribe, but warned party members not to accept it.

Mr Claes has since avoided all public comment on the Agusta affair. This is in spite of the arrest of his former chief of staff on suspicion of involvement in the channelling of money; the suicide of Major General Jacques Lefebvre, retired chief of staff of the Belgian air force and former chef du cabinet of four defence ministers; and the resignation of Mr Vandenbroucke.

Voices are being raised in Belgium and the Netherlands calling for Mr Claes either to resign or step aside until the investigating magistrates wind up their inquiries. But so far Nato governments appear reluctant to open the trap door. One reason is fear about the damage to morale inside Nato, which is struggling to redefine its mission now that the cold war is over. But another is that Mr Claes, so far, has been able to call in support from the US.

A former senior Belgian minister explains: "Willy Claes is a socialist, but he never joined party colleagues in the 1980s who were demonstrating against deployment of the Cruise missiles. He always looked first to Washington. He is close to the Americans."

It is unclear whether these connections will be strong enough for Mr Claes to survive fresh disclosures from the Agusta investigation, which is being led by Mrs Véronique Ancia, the intrepid magistrate from Liège in francophone Wallonia.

Mrs Ancia's original brief was to look into the murder of Mr André Cools, the longtime socialist party boss in Liège gunned down outside his mistress's apartment in July 1991 by a still unidentified assailant. But her inquiries have since led her deep into the financing of political parties in Belgium, in which Mr Cools was a central figure with links to the Italian socialist party led by the discredited Mr Bettino Craxi.

According to Italian magistrates in Rome, Agusta operated a multi-million dollar offshore account through which it channelled funds to political parties in Europe. Some money went to the Flemish and Wallonian socialists which were members of the Belgian coalition government.

Mrs Ancia has partially confirmed the thesis of an international money trail, thanks to documents provided by Mr Robert D'Allesandro, the jailed former president of Agusta. He agreed to talk because he was outraged by the murder of Mr Cools. Investigators say he has been less forthcoming as he has become more fearful of retribution; but his evidence proved decisive in forcing confessions from Flemish socialist officials, including Mr Mangé.

The big question is how the bribery scandal will influence the Belgian general election which Mr Jean-Luc Dehaene, the prime minister, has rushed forward to May 21. The polls suggest that the SP could plunge into fourth place behind the Christian Democrats, the Liberal Democrats and .even the ultra-right Vlaams Blok.

The Socialist party in Wallonia may suffer a little less, mainly because Mrs Ancia has yet to secure confessions (though she has persuaded the parliament to lift immunity from prosecution for three government ministers, thus forcing their resignations).

Whatever the outcome, Mr Dehaene is looking to reshape his coalition, possibly through an alliance with the rightwing Flemish Liberals. This may offer the best chance for a continuation of the strict fiscal and monetary policy required to keep hopes alive of Belgium's joining the planned European monetary union by the end of the decade.

The irony is that the country's political leaders, who are desperately looking for a secure future in a united Europe, are paying a heavy price for past follies.

Additional reporting by Robert Graham in Rome.

Philip Stephens

Wrapped in a bigger map

Look for once on the bright side. There must be room for a thimbleful of optimism alongside the self-deprecatory gloom about Britain's place in the world. The agonising about how to manage relative decline should give way occasionally to a less haunted appraisal of the role this middle-sized European nation can still play on the international stage.

That, at least, is the reasoning behind an unusual event next week in London. At the invitation of the Royal Institute for International Affairs (better known as Chatham House) and of Her Majesty's government, the great, the good and the industrious will conduct a collective audit of Britain's overseas interests and assets.

John Major, whose tenacity and good humour provide an ever more startling contrast to the disintegrating landscape around him, will open the proceedings. Douglas Hurd will offer a world view refocused by six months of internal debate within the Foreign Office. Robin Cook will sketch out the principles which would guide a Labour government. There will be opinions from abroad. In the wake of recent strains, Henry Kissinger may offer some uncomfortable truths about the health of transatlantic relations.

The purpose reaches beyond a nuts-and-bolts assessment of the skill with which Britain deploys its remaining military and diplomatic muscle. The idea is to venture into less tangible territory. The participants will take a look at the impact of massive shifts in global economic power and fast-changing patterns of trade and investment.

There will be discussion of the still-prominent British role in the developing world, and of the projection overseas of its values, education and culture. The cast list is sprinkled with big names from business, finance and the arts as well as from the political and defence establishments. The emphasis, firmly, is on grasping opportunities rather than gloomy introspection.

It is tempting to see the event as no more than a shrewd bit of escapism to deflect attention from less comfortable dilemmas. Suspicious souls will suspect that, in laying out a bigger map, Mr Hurd is seeking refuge from the tortured debate over Europe.

Kenneth Clarke and Michael Portillo may be at daggers drawn over a single European currency. They can both agree that Britain should sell more in south east Asia, build markets in eastern Europe, and promote the export of English language and culture. There are particular attractions for the Eurosceptics. The romantic right in the Conservative party yearns for the days when influence (and the navy) followed the trade routes. Norman Lamont is not as isolated as he seems in promoting an Elizabethan vision of an independent trading nation prospering through enterprise and invention.

It is tempting to see the conference on Britain's place in the world as a shrewd bit of escapism from less comfortable dilemmas

More mundanely, there is an element also of Whitehall powerplay in all this. The Foreign Office is among the latest batch of departments to be subjected to the Treasury's fundamental re-appraisal of public spending. Mr Hurd is a smart politician. There could be no better way to blunt the Treasury axe than to fix the spotlight on the breadth of the Foreign Office's task. Mr Hurd, I am told, has already received an assurance from Mr Major that his £1.3bn budget is safe from Treasury parsimony.

The exercise though is not entirely cynical. The mandarins have been thinking hard since September about how to bring foreign policy up to date. The world has changed. And a cogent briefing paper for the conference prepared by Vincent Cable, the head of the international economics programme at Chatham House, outlines the real complexities facing policymakers.

Much has been said about the impact on western security, and more particularly on the Nato alliance, of the ending of the cold war. Policy brows have furrowed in the search for a more coherent approach to the recent rash of regional conflicts.

Less careful thought has been given to the tilt in the economic centre of gravity away from the western industrialised countries. We have all heard of the Asian tigers and their fast-growing cubs. But, as Mr Cable points out, there are big uncertainties elsewhere. China, India, Russia, Brazil and Nigeria hold the potential for further seismic shifts.

There are more immediate forces. The European Union accounts for 57 per cent of Britain's exports and for 15 per cent of its national income, but inward investment from elsewhere is the driving force for the upgrading of its manufacturing base. Overall, foreign investors provide a third of capital expenditure in new plant and machinery.

Looking at the other side of the coin, Britain remains the world's fifth largest trading nation. Exports account for a quarter of national income. The country's stock of foreign direct investment ranks second only to the US. The Barings debacle notwithstanding, London retains an edge in areas like banking, broking and insurance at a time when the tradeability of services is expanding rapidly. Some strengths are less expected. Eight of the 10 most profitable European retailers are British. I did not realise until recently that Britain now earns more abroad from heavy metal than from steel: overseas royalties paid to pop singers are worth £1.4bn a year. Receipts from language teaching have reached £500m. The market is expanding. By the turn of the century, about 1bn people will be learning English.

These different filaments, and there are many more, produce a fascinating kaleidoscope of interests and influence. The problem comes in fashioning from them a simple definition of what used to be readily recognisable as the national interest. The fall of the Berlin wall robbed the west of ideological and military certainties. The economic interdependence which comes with highly mobile capital markets and instantaneous global communications is cracking the remaining foundations of post-war foreign policy.

Here the government seems intent on sidestepping the tough questions. There has not been a public hint during Mr Hurd's review of any serious analysis of the worth of Britain's international pretensions. The government is not ready to ask whether the price of retaining a seat on the UN security council is too high; whether it is sensible to have such a large nuclear weapons capability; whether the £23bn spent each year on defence is the best way to promote economic and social welfare. The answers are not always as obvious as they might seem, but the questions must be addressed.

Nor will Europe go away. British foreign policy has been predicated on the assumption that the national interest and a central role in shaping European institutions are indivisible. The premise is that the country's future, ineluctably, is shaped by the economic and foreign policy decisions of our European partners, so Britain must maximise its say in those decisions. That role is the precondition, in turn, for influence in Washington and Tokyo, in Johannesburg and Singapore.

But that assumption is now being challenged, and not only by the Eurosceptics. There are members of the cabinet, once counted as Europhiles, who now contemplate a more detached relationship. If Germany and France push ahead with economic and political integration, their argument runs, it may that it will be in Britain's national interest to stand aside, even at the expense of loss of influence. France's relationship with Nato is cited as a possible model for the future.

That view is not shared in the Foreign Office. But it underlines an inescapable point. Britain cannot navigate the rest of the world until it has first set its European compass.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Order-driven market best for London SE

From Mr Douglas M Atkin.

Sir, The Office of Fair Trading's recently published report to the chancellor of the exchequer on the rules of the London Stock Exchange relating to marketmakers raised a raft of interesting points ("Competition chief accuses Stock Exchange", March 18). However, we believe the emphasis given by commentators to elements of the report requires some re-examination.

Discussion of the OFT report focuses largely on the desire, held by some, to abandon marketmaking in favour of an order-driven system. Instinet believes the London Stock Exchange is fundamentally a strong market. One of its great strengths is its marketmaking capacity, augmented by agency broking. To abolish this system, at a stroke, would seem rash.

We should not allow speculation about dramatic changes to market structure to sweep aside discussion about the merits of changes to existing market rules. As a London Stock Exchange member firm, Instinet has urged adjustments to certain rules that we believe will further increase liquidity and investor confidence in the market to the benefit of all market participants, including marketmakers. This approach may be less newsworthy than speculation about a new market structure, but it may also be more pragmatic.

Finally, commentators should be more precise in their use of the expression "order-driven system". Instinet is an agency broker whose business is driven by customer orders that we execute on their behalf. To this extent, Instinet and all other exchange members are order-driven. Today, all market participants use technology to increase the efficiency, security and cost-effectiveness of their trading. While Instinet uses technology in its brokerage service to a large degree, a great deal of business is also done on the telephone. None of this alters the fact that Instinet is an agency broker, not a system.

The London Stock Exchange is one of the world's premier exchanges. We believe that investors will be best served by a strong, price-driven London market. We look forward to contributing to an open and constructive debate.

Douglas M Atkin,
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The facts on Italy and inflation

From Professor Lucio Izzo.

Sir, In Philip Coggan's article, "Living on borrowed time" (March 20), Mr Tim Congdon, of Lombard Street Research, is quoted as saying that the "most likely outcome for Italy is hyper-inflation".

However, no evidence concerning the Italian economy supports Mr Congdon's statement. Three facts blatantly contradict his proposition. First, labour costs in mechanical industry – the backbone of Italian manufacturing – are rising in nominal terms at 50 per cent of the German rate. Second, money supply, M2, is rising in Italy less strongly than in Germany. And, third, the Italian public budget is recording a primary surplus equal to about 3.8 per cent of gross domestic product in 1995.

Lucio Izzo,
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20154 Milan, Italy

Link of public and private morality

From Mr John Duffield.

Sir, It may be, as Philip Stephens suggests ("Breathtaking hypocrisy over sex and high office", March 22), that the British public is showing breathtaking hypocrisy over Rupert Pennant-Rea, but it may also be that we are showing a satisfyingly consistent attitude. The government has had an unprecedented number of sexual scandals, and it has also been involved in an unprecedented number of sleaze allegations. It is evidently true French and Italian politicians are apparently able to indulge in extramarital excess without condemnation, but these politicians are also being hauled in front of their courts in numbers that dwarf the problems of Mr John Major, the prime minister.

Maybe there is a connection between private and public morality after all.

John Duffield,
64 Spring Grove,
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Essex IG10 4QE,
UK

From Mr Stephen Goddard.

Sir, We live in a confused world. When the deputy governor of the Bank of England feels it is necessary to resign, but no director of Barings has done so, how are we to interpret these different signals?

In both cases they are entrusted with a great many responsibilities: for managing enormous sums of other people's money; for the livelihood of a large number of those people; and for the reputation of the institutions they serve. They are expected to follow a standard set by their predecessors, and to set an example to those who follow them. Their aim should be to leave behind them an organisation that is superior to the one they inherited. The civilisation in which they were brought up taught them all this and more.

I think there are three interpretations I wish to dwell on. The first is that one man has finally acted with honour when others have not. One man has shown he has at last some principles that are not entirely base. It is no good saying one should stay on to try and make amends: the trust that has been given has been broken.

Finally, that those who are most privileged in this country continue to lead its moral decline.

Stephen Goddard,
43 Bromfelde Road,
London SW4 6PP, UK

From Mr Roland Shaw.

Sir, My late father, A. Vere Shaw, was founder and senior partner of Shaw Loomis and Sayles, the Boston, Massachusetts, investment counsel group. About 1935, he called in his partners to tell them he was unfortunately divorcing my mother. "Vere," they said, "we are very sorry for you both, but of course you will have to leave the firm because no one in Boston would trust an investment adviser who was divorced. However, you can go to New York City, because it is all right there."

And he did and it was.

Roland Shaw,
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Gaffe-busting candidates

From Mr Paul Richards.

Sir, So UK Conservative party chairman Jeremy Hanley has been put in charge of the government's "gaffe-busting" cabinet committee ("PM forms blunder-busting group", March 23). Who else is on it? Nick Leeson, perhaps? What a shame Basil Fawlty is a fictional character – he might have fitted in rather well.

How much more nonsense are we going to have to put up with before prime minister John Major calls an election and puts us out of his misery?

Paul Richards,
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London W6 9DA, UK

FT as essential jungle wear

From Mr Raymond J Mileham.

Sir, I would like to say how grateful I was for the Financial Times which I recently purchased in Batu Ferringhi, Penang. I had taken my copy on a jungle trek for a quiet read, and was pleased to read that my Asda shares had gained 1¼ points. But then, when a heavy rainstorm broke, I was able to make the 1¼ mile trek back in the rain covering myself with the FT. Albeit I looked like a papier mâché model, but I remained quite dry.

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FINANCIAL TIMES

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Goodbye to job security

Press headlines about job losses are always unsettling. In Britain they have become so frequent as to convey the impression of a permanent revolution in the labour market. So far this week Northern Foods has announced plans to shed 2,200 jobs, Midland Bank is to axe 1,745, while PowerGen, the privatised electricity concern, is laying off 700 to 1,000 – this in an industry that has seen the workforce shrink by a quarter since privatisation began in 1990-91. The opinion polls tell us that the British electorate hates the resulting insecurity and has not bought the argument that there is no alternative.

The conventional economist's riposte is to say that the press headlines, while true, are misleading. In 1994 the number of people in employment actually rose by 173,000, to 25.6m. In the year to February, the unemployment rate has fallen from 9.8 per cent to 8.4 per cent, below the level in much of continental Europe. Even manufacturing, which has suffered near-uniform attrition since the peak of the 1980s recovery, started to make a modest contribution to job growth last year.

All this is symptomatic of an economy in which employment prospects are shifting from mature or inefficient industries to more dynamic areas. One important lesson from the privatisation of the utilities is that they were even less efficient than the politicians or regulators realised. Job shedding in telecoms, energy and water reflect that fundamental point.

Structural changes

Whether job losses at Northern Foods owe more to the restructuring of the milk business or to supermarket competition, it is clear that this industry is going through important structural changes. So, too, is banking, where surplus capacity is visible on the high street, and technology is transforming the banks' methods of operation.

The difficulty, from the point of view of public perception, is that, while this job shedding in big companies has much further to go, the new jobs are being created mainly in the small business sector. There, individual companies are too small to create jobs on a scale to deliver cheerful headlines.

Clearly there are advantages in labour market flexibility. The question is whether anything can be done to legitimate the process in the eyes of the public.

A radical case could be made that the abolition of lifetime employment in much of big industry is 'fair' in the sense that it puts everyone on a more equal footing. In Japan lifetime employment has been available only to a minority, working mainly in the country's more competitive industries. In the UK, by contrast, lifetime employment appeared to be a feature of some of the sleepiest, non-export-oriented sectors.

Social benefits

If a pampered group of workers loses its privileges, there may thus be social as well as economic benefits. Women, certainly, have gained some advantages from recent labour market changes relative to men – especially older men, who have been victims of 'downsizing' in manufacturing.

Yet this comes all too close to offering equality in misery. It also looks unsaleable when politicians are trying to economise on the welfare safety net. Both government and employers have to recognise that endemic insecurity in the workforce does entail significant economic and social costs, as well as benefits. If the result of all the downsizing is that more people and resources are left permanently idle, it has little economic point. The very minimum a government has to do to justify the erosion of security must be to provide macro-economic policies that deliver stable, sustainable growth, which is admittedly easier said than done.

At the level of the company, employers with a penchant for the macho style of management have to recognise that insecurity creates, a short-term mentality throughout the company. Inevitably, employees will be unwilling to acquire skills and patterns of behaviour that are of particular value to their employer and devote their time and effort to acquiring readily transferable skills instead. Loyalty will disappear, a loss that is already causing trouble in dealing rooms in the City and on Wall Street. In large, mainstream companies, it is a recipe for destroying long-term shareholder value.

Who are you, Mr Chirac?

The wheel of electoral fortune can turn with cruel speed. Two months ago, when Edouard Balladur announced his candidature for the French presidency, his lead in the opinion polls seemed so decisive as to make the election almost a formality. Since then his support has collapsed, and it is now Jacques Chirac, the man he was thought to have supplanted as leader of France's conservative majority, who suddenly looks unbeatable.

There is still a month to go before the first ballot; so further spins of the wheel are in theory possible. But the campaign has shown up Mr Balladur's weakness as a candidate, and Mr Chirac's strength. A presidential candidate needs to offer a vision of positive change, and to display a gut sympathy with popular grievances. Mr Balladur, as incumbent, was ill-placed to do the former, and his personality is hopelessly ill-fitted to the latter. Mr Chirac, by contrast, is at his best on the stump. His greatest success has been to make himself appear an underdog and an advocate of change.

Gamble pays off

The gamble he took in staying out of government in 1993 seems to have paid off after all. It has enabled him to fight a populist campaign, which some would call demagogic. He has stressed the need to fight unemployment more than inflation, and has attacked the notion that this has to be done by keeping wages down – which has encouraged a wave of wage demands. His most prominent economic adviser – the minister of small business, Alain Madelin – is a well known believer in the "Laffer curve", whereby tax cuts are supposed to pay for themselves through an increase in the tax base. Not all holders of French currency will share this view – especially if they remember that Mr Madelin's was one of the few voices raised in favour of delinking the franc from the D-Mark at German unification.

But that was then. Today Mr Madelin, like Mr Chirac himself, proclaims his firm belief in European monetary union – though unlike Mr Balladur they have wisely avoided claiming that the Maastricht criteria can be met by 1997. Mr Chirac has gone back on his earlier proposal to hold another referendum on the issue, but still wants the passage to a single currency to be "accompanied by a real national debate".

Last week Mr Chirac devoted a two-hour speech to foreign policy, an area where he certainly has far more experience than any other candidate. He recalled, with legitimate pride, that he was among the first to call for the eastward extension of European institutions when the former Soviet bloc began to fall apart.

Firmly Gaullist vision

He insisted, rightly, that next year's inter-governmental conference must prepare the EU for future enlargement: but said that this enlargement must not be allowed to damage the Common Agricultural Policy. He insisted on the primacy of the Franco-German relationship, but sketched a firmly Gaullist vision of a strong Europe built on sovereign states, with a strengthened council of ministers, a revision of voting weights, and an enhanced role for national parliaments.

Mr Chirac wants a "rapid European intervention force", but with a view to making Europe "a solid partner of the United States". Indeed, he wants "a new mode of relations between France and Nato", and favours a "transatlantic charter to renew our solidarity with the US". He wants to build on the success of the Uruguay Round, but opposes a Europe "open to all the winds, while its great commercial partners do not play the game loyally". He welcomes the opening of frontiers under the Schengen treaty, but expects it to bring "tighter control of migratory flows" through strengthened intergovernmental co-operation. He warns against Islamic extremism, while hailing Islam as one of "those great religions which enlighten the world".

Formerly seen as a rightwing nationalist, Mr Chirac now casts himself as a good European with a social conscience. He would like to be all things to all men. If he becomes president, France's partners can at least look forward to dealing with someone flexible. But they may find themselves wishing there were one or two issues on which they could be quite sure where he stood.

Leslie Crawford and **Stephen Fidler** on Mexico's drive to reform its corrupt politics and repair the economy

Few sweeteners for bitter medicine

It is a year and a day since Mr Luis Donaldo Colosio, the presidential candidate of Mexico's ruling Institutional Revolutionary party (PRI), was murdered in the streets of Tijuana.

The crime remains unsolved, but the killing, the first political assassination since the party took office 66 years ago, triggered events that have fundamentally altered the Mexican landscape.

Mexicans have witnessed a second political assassination, the weakening of the once almost limitless authority of the president, a crisis of identity in the ruling party and an economic collapse following a devaluation in December. Mr Gabriel Garcia Marquez, literary master of magic realism, says what is happening in Mexico surpasses anything he could have dreamt up for his novels.

A portrait of Colosio rests behind the desk of Mr Ernesto Zedillo, the president. Mr Zedillo was Colosio's campaign manager, and after the assassination, was handpicked by Mr Carlos Salinas to succeed him as president.

The new president has staked his reputation not only on solving the Colosio murder and that of Jose Francisco Ruiz Massieu, a PRI leader killed in September, but also on establishing the rule of law and ending a culture which has shielded those with political connections.

Mr Zedillo's first act as president was to dismiss the entire Supreme Court, which had a reputation for corruption and political subservience, and to name an attorney-general from the opposition National Action party (PAN). "I took the decision so that no-one could say the attorney-general was working merely in the interests of the president," Mr Zedillo says. "I gave him only one instruction: Do your job according to what is established by law."

Mr Antonio Lozano, the new attorney-general, has jailed Mr Raul Salinas, brother of the former president, on charges of masterminding the murder of Ruiz Massieu. He has also accused Mr Mario Ruiz Massieu, a former deputy attorney-general, of covering up the investigation he led into his brother's death in order to protect Mr Raul Salinas from appearing as a suspect in the case.

What has surprised many Mexicans is not the surreal nature of the charges – these only confirm the view of many Mexicans of their politicians – but the fact that the cases are being pursued at all. The arrest of Mr Raul Salinas broke one of the unwritten rules of the political system: that the actions of former presidents and their relatives should not be probed once they leave office. In return, the new president is allowed to take over without interference from his predecessor.

Mr Carlos Salinas broke another of the unwritten rules by openly criticising Mr Zedillo.

According to opinion polls, four out of five Mexicans feel cheated by Mr Salinas's government.

Its signing of the North American Free Trade Agreement, its joining the Organisation for Economic Co-operation and Development, a rapid expansion in credit for houses and cars, and a strong currency, had led Mexicans to believe they were on the threshold of the first world.

Mr Salinas, who broke off a brief hunger strike after winning a statement from the government that he was not a suspect in the Colosio investigation, has left Mexico for the US. His hopes of leading the World Trade Organisation have been shattered and his dream of going down in history as Mexico's great moderniser looks forlorn.

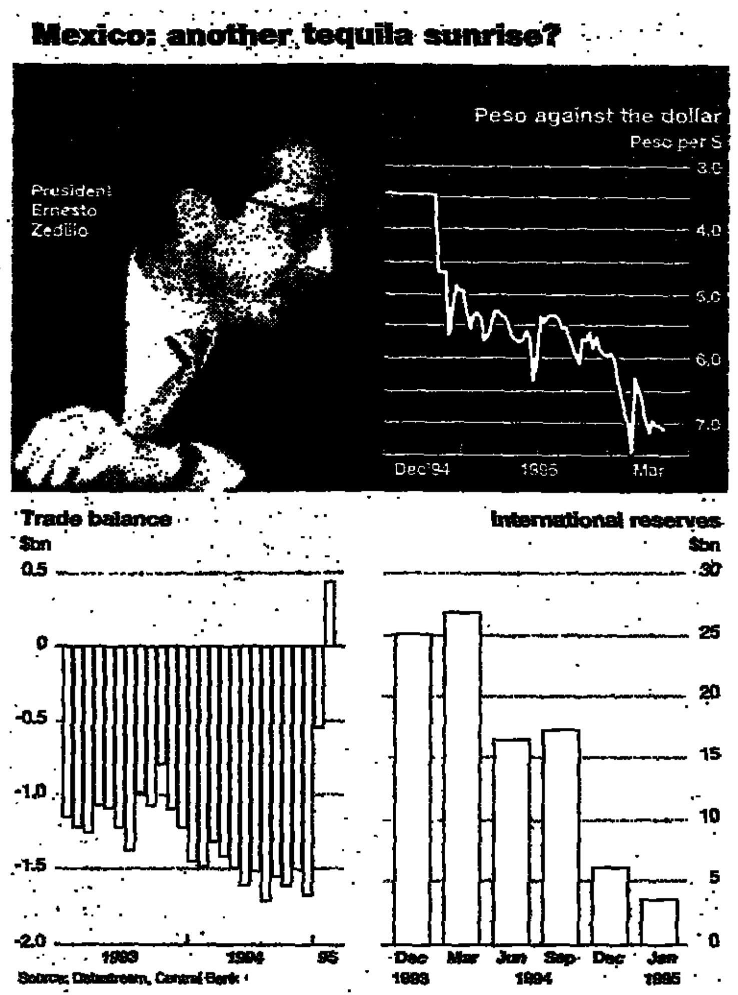
By contrast, largely because of the arrest of Mr Raul Salinas, Mr Zedillo's popularity is high, surprisingly for a leader who has overseen a disastrous devaluation and the onset of a deep recession. According to opinion polls, the president is widely regarded as honest. But his popularity is based on that single, spectacular act.

A former cabinet minister says: "We still do not know whether the decision to jail Raul Salinas signals the end of impunity in Mexico, or whether we are merely witnessing another battle between political clans." An acquittal would be a disastrous blow to Mr Zedillo. Mexicans would suspect that, in time-honoured fashion, another "deal" had been struck to limit the political fallout from the trial.

Three months into his government, Mr Zedillo must therefore seek other ways to establish his authority. He comes from the stable of US-trained technocrats which have ruled Mexico for the past 12 years, and who are now very much on the defensive as a result of the economic debacle.

Mr Zedillo also came to power with tenuous links to the PRI. "I owe no political favours," he says. Yet having taken up office with a promise to place "a healthy distance" between his government and the ruling party, Mr Zedillo has belatedly realised he cannot govern without the PRI, and that he can no longer take the rubber-stamp Congress for granted.

Mexico: another tequila sunrise?



Source: Datastream, Central Bank

The PRI fears, rightly, that the state of the economy will lose it votes in forthcoming state elections. It is also suspicious of Mr Zedillo's overtures towards the National Action party, whose brand of rightwing populism is winning converts.

The PAN knows it stands to make huge electoral gains from the economic crisis, but it has held back from fanning popular discontent. "We are in a dilemma," admits Mr Luis Felipe Calderon, PAN secretary-general. "We oppose the economic programme because it places the main burden of adjustment on the private sector. But there is also the danger that social unrest might escape political control. Mexico is like a tinderbox now. We will not be the ones who ignite the match."

Following weeks of uncertainty, which saw a near-collapse of the financial system and the Mexican peso halve in value against the dollar, Mr Guillermo Ortiz, the finance minister, announced a new economic emergency programme on March 9. The plan puts in place a series of measures to win a $20bn credit line from the US and $17.8bn in International Monetary Fund finance.

As a result, Mr Ortiz forecasts the economy will contract 2 per cent this year, while he hopes to contain inflation to a year-end rate of 42 per cent, compared with 8 per cent last year.

There are early signs that this bitter medicine might be working. In spite of accelerating inflation, trade unions are accepting real wage cuts in order to protect jobs. The Bank of Mexico, with unaccustomed celerity, published figures suggesting the current account had moved into rough balance in February, against an average monthly deficit of $2.4bn last year. The devaluation has spurred a 24 per cent rise in exports, which generated a trade surplus of $452m in February, the largest monthly figure since April 1988.

Mr Mauricio Gonzalez of the GEA economic consultancy forecasts current account surpluses of up to $2.4bn a month by mid-year, which will allow the Bank of Mexico to replenish international reserves and Mr Ortiz to define a more predictable exchange rate policy to replace the existing floating regime.

Officials are drawing up plans for a radical reform of the tax system and an overhaul of the private pensions system. The aim is to tackle the Achilles heel of the economy: Mexico's low domestic savings, which, following the flight of foreign investors, can no longer be offset by inflows of external capital.

A weak banking system remains a threat, however. Many banks, privatised only three years ago, may soon be in government hands again. A majority will shortly sign up for an emergency capitalisation programme hastily put together by the Bank of Mexico in order to forestall a collapse of the financial system.

On the streets outside the Bank of Mexico, angry debtors have begun a daily siege of the institution they hold responsible for the trebling of interest rates since the December devaluation. They are owners of small businesses and farmers who stand to lose everything because they can no longer afford to repay their bank debts. "You are condemning 65m Mexicans to absolute poverty," they blare through loudspeakers.

Yet the government believes it has little choice but to ignore them. Officials see the alternative to the government's programme as entailing a debt default and galloping inflation, jeopardising 12 years of effort to insert Mexico into the global economy. It is an alternative officials say they are not contemplating.

Hong Kong's return will test China

PERSONAL VIEW

There are only about 800 days left before Hong Kong reverts to Chinese sovereignty. I think there are three very important points about this that we need to bear in mind.

First, we need to recognise what Hong Kong's return really means. This may sound hollow but I think it is important. It is a great historical event. With the ceding of Hong Kong [in 1898], China became a weak and shamed country. But the Chinese people began to oppose imperialism and fight for the country's unity. Many people made sacrifices, but our country, with the setting up of a new China, became stronger and stronger. If our country had not been so strong, the British would not have handed Hong Kong over so easily.

Of course, taking Hong Kong back is a very complicated task and a crucial turning point in history. Everyone is anxious to do the job well but no one knows how to do it. Some may inevitably have to pay a price or make sacrifices. But if we consider that Hong Kong is getting rid of its status as a colony and returning to the motherland, and that Hong Kong's people will be transformed from second-class citizens to masters of their own country, we should be extremely proud and happy.

Second, we should recognise that running Hong Kong properly is important for the image of the Chinese. Some people want us to succeed. But others have predicted that China will be unable to run Hong Kong well. As Chinese, we should be determined to ensure that Hong Kong remains prosperous and stable and to demonstrate the Chinese people's wisdom and ability. We, the Chinese people, can run Hong Kong properly after the British have gone.

I think we should have confidence in this. It is the mentality of the old colonialists that the Chinese people cannot run Hong Kong properly. But Hong Kong's achievements today have been mainly a result of the Hong Kong people's efforts. They are not the work of the British. The British cannot even run their own country properly. Britain has achieved nothing as far as its status in Europe and its own financial and economic systems are concerned.

Third, we must recognise that great efforts are needed to safeguard Hong Kong's long-term stability and prosperity. It is not easy to run Hong Kong well. Chanting slogans is not enough.

If China had not been so strong, the British would not have handed Hong Kong over so easily

How can a tiny place like Hong Kong be such an important global financial centre? I do not think everyone understands clearly why this is so. I think even those who say they understand may not in fact do so.

Let me tell you a story. Yixing teapots, through years of use, acquire a thin coat of tea residue inside. With such a pot, you only need to add hot water to produce a fine drink.

One day, a poor old lady put such a teapot up for sale. Knowing it was good, a tea connoisseur gave the old lady 10 times her asking price and said he would come to pick it up later. The old lady thought that the teapot was dirty and was not worth so much, so she cleaned it. When he returned, the man, finding the coat of tea residue gone, cancelled the deal. He would not even buy the teapot for the old lady's original asking price.

What the story tells you is that when you do not understand something, you may damage it by trying to improve it.

I cannot tell you how, in concrete terms, to improve Hong Kong. However, there are several principles that we should stick to.

First, we should be conscious of time passing and the amount of work to be done. Two years is a long time for doing some things. But Hong Kong's reversion to Chinese sovereignty is an important matter: time is short and must be put to best use.

Second, we must work out detailed plans rather than general or abstract ones. Everything must be spelt out in detail, every aspect of work must be seriously studied in depth. We must try hard to think of every possible problem that may arise during the process so as to keep the unexpected to a minimum.

We must also be more united. There are many examples of our lack of unity: we are always gossiping and fighting over something.

Chinese people have a special character: they are easy to unite in adversity but not when they have won a battle. I believe that the return of Hong Kong to China is a test of our sense of unity. I think we should be united at this important juncture in history.

Li Ruihuan

The author is a member of the standing committee of China's elite seven-member politburo, and chairman of the Chinese People's Political Consultative Conference. The text is an edited version of a speech he made earlier this month in Beijing

OBSERVER

Cash's bright future?

■ The task of sorting out Barings' Asian derivatives business is not, perhaps, an entirely enviable one. However, the British merchant bank brought down by Nick Leeson has – or had – a distinguished client list in the Far East, and also boasts the necessary seats on the Japanese futures exchanges. If the worldwide head of derivatives at Barings' new parent ING secures the job himself, as seems a distinct possibility, it will be an especially significant opportunity for him.

Five years ago, things looked very different for German-born Karsten "Cash" Mahlmann. Once a distinguished chairman of the world's largest futures exchange, the Chicago Board of Trade, Mahlmann had to step down in 1990 amid the embarrassing collapse of his brokerage firm Stotler.

Mahlmann – who was never charged with wrong-doing himself – said he had been overburdened with the affairs of the exchange, and had not been aware of financial mismanagement at Stotler.

Even so, he felt it necessary to go to London, where he initially managed the local operations of Chicago-based futures broker Rosenthal and Collins. Through those connections he moved across to ING, and last year came back to the Windy City as head of ING's derivatives activities worldwide.

Even then, his return was not made particularly easy. Still smarting from the Stotler debacle, the CBoT denied him membership when he applied representing ING.

So making a good fist of untangling the Barings mess would surely go a long way towards completing his rehabilitation.

What was he bid?

■ What's happened to integrity and scholarship in the art world? In the old days museum curators looked down on money-grubbing fine art auctioneers. No longer, it seems.

In New York, Richard Oldenberg – after 22 years as director of the Museum of Modern Art – is taking over as chairman of Sotheby's America. He replaces John Marion, who for decades was famous for his ability to squeeze just one more bid from the black tie audiences at Sotheby's big sales. At 61 Dick Oldenberg is probably too old to learn the auctioneer's craft, but his contacts in the febrile world of contemporary art might bring some important pieces to Sotheby's. At least he might help them spot the fakes.

Leap-frog

■ France can reasonably lay claim to world-beating form in many a field, but its latest financial boast seems to be stretching things un peu. According to yesterday's Agefi, the specialist financial daily newspaper, France reckons it is the second-largest fund manager in the world – behind the US – with FFr6,000bn under management.

Well, a very significant chunk of that is surely accounted for by money market funds and collective investments offered by banks because the law doesn't permit the latter to do something rather simpler – which is to pay interest on ordinary customer accounts.

No yen for it

■ The grand old Brookings Institution in Washington DC is badly in need of an infusion of life blood. With its president Bruce MacLaury stepping down after 18 years in the job, the left-leaning think-tank has – rather unusually for an academic outfit – retained headhunters to search for his replacement. So far, all we know is who has is not taken the job.

Fred Bergsten, a former Brookings man who then worked in the Carter administration, has made a considerable success of his own think-tank, the International Institute for Economics. He is well known abroad and can be relied on to proffer an opinion. Historically almost fanatically bearish about the dollar, he changed his mind – last summer! "The yen is close to its peak and is probably going to turn around", he opined. But with Bergsten, no-one seems to mind if he's terribly wrong.

So the non-stick economist would probably have made a good president of an institution that seems to have lost its way, and which regularly gets outgunned by the more ideological right wing set-ups such as the American Enterprise Institute and the more extreme Heritage Foundation.

But Bergsten has been telling friends he has rejected Brookings' advances – quite why is unclear.

Other names left in the frame include David Bradford, a Princeton economist, and Robert Reischauer, who has just stepped down as director of the congressional budget office. Whoever gets the job, it will be fascinating to speculate as to whether he/she were deemed to have met headhunters Spencer Stuart's final specification – "an intact ego".

Doggone it

■ Some old Arab hands have taken issue with Rupert Pennant-Rea's attribution of the phrase "The dogs bark, but the caravan moves on" to former Bank of England governor Montagu Norman. Observer checked with the Bank and found that Norman did use it at the end of his 1934 Mansion House speech when he was in the dog house himself. It seemed to do the trick, since he survived another 10 years.

So in what circumstances should one cite that other gem of an Arabic proverb: "Every decayed bean has a one-eyed man to weigh it"?

Financial Times

50 years ago

Notes from £10 called in
Bank of England notes of £10 and upwards will cease to be legal tender from 1st May. Members of the public are advised to pay any of these notes in their possession into their banking accounts without delay. Last month the Bank was empowered under an Order in Council to call in notes of any denomination over £5 by giving not less than one month's notice. The call-in of banknotes of high denominations, such as £10, £20, £50, £500 and £1,000, is expected to make more difficult black market trading and evasion of foreign exchange regulations. [The highest denomination now issued by the Bank is £50.]

Forced savings rejected
The proposal by the French Finance Minister, M. René Pleven, for compulsory savings has been rejected energetically by the National Assembly's finance commission, which, at the same time, wrung from the Minister a promise to abolish it for civil servants to whom it was already theoretically applicable.

The Financial Times was not published on Sunday, March 24, 1895.

FINANCIAL TIMES
Friday March 24 1995

Countries fail to agree on allocation of assets

IMF drops proposal for issue of drawing rights

By George Graham in Washington

Industrialised and developing nations have abandoned efforts to resolve their disagreement over whether to pump billions of dollars into the international economy through a new issue of special drawing rights, the International Monetary Fund's reserve asset.

The question of an SDR issue created turmoil at the IMF's annual meeting in Madrid last October, when developing countries clashed angrily with the Group of Seven leading industrial nations in the IMF's policy-making interim committee.

But Mr Philippe Maystadt, Belgium's finance minister and the interim committee chairman, said yesterday that he had decided to drop the subject from the agenda for the committee's next meeting at the end of April because he saw no prospect of reaching agreement.

Mr Michel Camdessus, the IMF managing director, had proposed issuing 36bn SDRs to all member countries. This was opposed by G7 countries, which recognised a need to allocate SDRs to members from eastern Europe and the former Soviet Union which had missed earlier issues, but saw no need for a general injection of liquidity into the international monetary system.

Mr Maystadt has been considering a smaller general allocation with an issue to members with no SDRs, or a proposal by the US and the UK for a special allocation aimed at these countries.

"I have now come to the conclusion that we cannot get enough support either for the first line or for the second," he said.

Some G7 members remain opposed to a general allocation, he said, while developing countries continue to reject a special allocation because it would require a change to the IMF's articles and therefore be subject to approval by governments.

Although the question of issuing new SDRs is abandoned for now, Mr Maystadt said it could resurface in a general discussion of the need to expand the IMF's resources to cope with future crises like that of Mexico earlier this year.

Mr Maystadt said he would recommend that the Fund should begin to consider Mr Camdessus's proposals for an increase in members' quotas and for a possible issue of SDRs that could be channelled into a "last resort financial safety net" to be used in cases like Mexico's.

But he warned that agreement on such a special facility could take years. In the meantime, he suggested expanding the General Arrangements to Borrow – under which the IMF may borrow from the leading industrialised countries in emergencies – to include developing countries with large central bank reserves.

German cabinet unveils tax changes to increase benefits

By Judy Dempsey in Bonn

Mr Theo Waigel, the German finance minister, yesterday proposed radical changes in the tax structure designed to support the less well off and provide incentives for investment.

Mr Waigel had been forced to produce the package after Constitutional Court decisions last year that child benefits and the level of the tax threshold for those on minimum incomes were too low and that the *Kohlepfennig* surcharge on electricity bills was unconstitutional.

His package, approved by cabinet yesterday and to be debated in parliament next week, calls for increases in social spending and subsidies for railways and the coal industry by DM30bn ($21bn). But Mr Waigel said he still planned to keep the budget deficit under DM60bn, about 3 per cent of gross domestic product, through higher growth, restructuring the tax system and scrapping tax breaks.

However, economists yesterday said the positive effect on economic growth of tax breaks and increased benefits would depend on whether they boosted consumer spending, which has remained sluggish for years. The bill will face opposition from the Social Democratic party, which wanted more concessions for the poor and industry.

The plans include raising the tax threshold for those on minimum incomes from DM5,600 to DM12,095 for single people and

High D-Mark and pay rises squeeze exporters ......Page 2

double that for couples. The benefits will not be extended to couples earning above DM86,000 per year. The increases will cost the government DM16bn.

In addition, child benefit allowances will be increased from the average DM135 per child per month to DM200, rising to DM300 for a third child. This will add an estimated DM6bn to social expenditure. The government has also agreed to provide subsidies of DM7.5bn from next year's budget for the coal industry to replace the *Kohlepfennig*.

The extra spending will be met from three areas: a fall in unemployment benefits, with the expectation that 300,000 fewer people will be unemployed next year; tax increases and savings, already introduced, in this year and next of DM20bn; and DM20bn from the ending of the operations of the Treuhand, the privatisation agency wound up in December.

The cabinet also agreed to scrap the *Gewerbekapitalsteuer*, a tax levied by local authorities on enterprises, and cut the *Gewerbeertragssteuer*, a local trade earnings tax.

Tax relief for investing in eastern Germany, which had been expected to end next year, will be extended a further two years but reduced from 50 per cent to 40 per cent of corporate profit. Grants for the manufacturing and small business sector will be prolonged over the same period – they will receive grants equal to 5 per cent and 10 per cent of total investment.

Sandoz to hive off industrial chemicals arm

Continued from Page 1

year. The group would use the proceeds from the sale to continue to invest heavily and make acquisitions in its core businesses.

However, it was still digesting its $3.7bn takeover last August of the US baby foods group Gerber. Mr Moret said the group's agricultural and construction chemicals businesses would also be hived off at a later stage, and the strategic importance of the seeds division was being assessed.

The industrial chemicals division is a world leader in dyestuffs, pigments, masterbatches (plastics additives) and speciality chemicals for textiles, paper, leather, printing inks and lacquers. It had sales of SFr2.3bn last year, 14 per cent of the group total, and sales growth averaged over 4 per cent in local currencies in the past five years.

A demerger of the group's chemical businesses has been the subject of speculation since Sandoz established them as independent legal entities five years ago.

The businesses' cyclical behaviour has often masked the strong performance of the fast-growing pharmaceuticals business, which produces approximately half of group sales.

Stalemate in efforts to liberalise UK-US air traffic

By Michael Skapinker, in London

Negotiators from the US and UK have reached stalemate on how to liberalise air traffic between the two countries.

Although talks between the two sides are expected to continue in London today, there is little chance an agreement will be reached. Negotiators are expected to meet in Washington on April 10 in a further attempt to conclude a deal.

The negotiations, which began on Wednesday, were the first since the US walked out of talks in December 1993.

A principal obstacle then was the UK's refusal to accept that US airlines should be given greater access to London's Heathrow airport. One of the problems at this week's talks is that US airlines have disagreed among themselves on how hard to press this point.

Initially, both sides thought this week's talks would consider several smaller issues in an attempt to build confidence. These included a proposal that British Airways be allowed to increase flights to Philadelphia; that United Airlines be allowed to fly from Chicago to Heathrow; and that the US abandon its 'fly America' policy, which prevents UK carriers from transporting US civil servants.

Yesterday, however, the US put the issue of greater access to Heathrow for all airlines on the table. The UK is understood to have rejected it. Those at the negotiations say US airlines and officials will have to agree among themselves whether to pursue this point in Washington next month or go back to attempting to reach agreement on other issues first.

It is understood BA's proposal to increase its Philadelphia flights presented few problems to the US negotiators. Similarly, the UK is thought to have been amenable to United flying to Heathrow from Chicago.

Abandoning the 'fly America' policy presented problems, however. The US defence department gives travel business to domestic airlines which agree, in return, to offer aircraft for military purposes when required.

Defence officials in the US are reluctant to abandon this arrangement. The US side will consider, however, whether UK carriers could bid for non-military government business.

Those at the negotiations said the atmosphere at the talks was better than in recent years.

However, agreement on individual issues would not be sufficient for the two sides to reach a new aviation accord. One of those present said: "Nothing's going to be done until we can reach agreement on a package."

Kinnock still airborne over open skies, Page 2

THE LEX COLUMN

Sandoz's chemical surprise

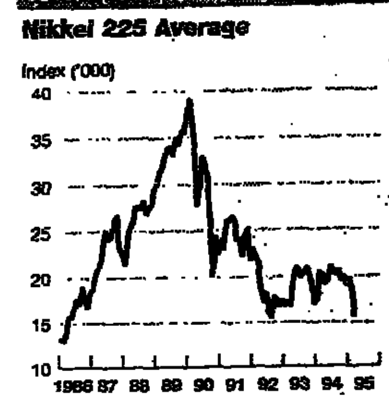
That Sandoz, the most conservative of the Swiss chemicals groups, has taken such a radical step is proof, if more was needed, of the dramatic changes overwhelming the industry. The Swiss company has decided to focus on pharmaceuticals and nutrition while disposing of the bulk of its chemical operations. The group has also fundamentally shaken up its management structure. The strategy should permit Sandoz to improve its focus on healthcare, while the chemical businesses' sale or flotation should provide funds for further moves.

The timing of the disposal, whether a trade sale or flotation, is exemplary. Commodity chemicals companies have performed splendidly on the upswing, but their shares appear to be peaking as investors anticipate the top of the cycle. In contrast, speciality groups similar to Sandoz's have so far been squeezed by raw material costs but are now coming into their own as they pass on price rises to customers. The business is also well positioned; it has benefited from substantial capital investment, and a large proportion of operations is in the fast-growing Asian markets. Sandoz hopes the sale or flotation price will be approximately equivalent to sales, about SFr2.3bn, although the exact amount will depend on the debt structure.

Sandoz's decisiveness puts the spotlight firmly on similarly structured companies. The managements at Zeneca, Rhône-Poulenc, Ciba, Bayer and Hoechst have no doubt already been wondering what to do. They now have further food for thought.

FT-SE Eurotrack 200: 1345.4 (-14.4)

Nikkei 225 Average



Source: FT Graphite

Japan

Springtime may be the season when blossom tumbles from Japan's cherry trees; it is also when the Nikkei index traditionally struggles to defy gravity. At the end of the financial year, banks and life assurance companies, which own a third of the market, tend to sell stocks. By realising gains on their holdings they can make up any shortfall in predicted profits.

But those hoping the Nikkei's recent torrid performance is merely seasonal selling will be disappointed. The market, which has fallen 60 per cent since its peak in 1990 and nearly 20 per cent since the start of the year, is being dragged down by fundamentals. Japan's monetary policy is proving highly damaging; deflation combined with static interest rates means real rates are tightening while the economy is still struggling to escape recession. Moreover, high real rates have pushed the yen ever higher, threatening to suck in imports, damage exports and render Japan's recovery still-born.

The Japanese economy needs help, fast. The best response would be for the US Federal Reserve to raise interest rates, the Japanese to cut theirs, and both nations to make positive noises about trade. Such moves, which would boost the dollar at the expense of the yen, are, alas, unlikely. The worry is that the market's present value is predicated on rising profits next financial year. If in May Japanese companies start forecasting disappointing 1996 profits the Nikkei will remain a fragile blossom.

Guinness

Guinness's strategy of focusing on premium drinks brands to the exclusion of all else has offered little payback thus far. By selling its stake in LVMH, it lost its share of the French group's 23 per cent profits growth last year. Meanwhile the 0.5 per cent price increase Guinness achieved in its global spirits portfolio last year does not suggest a vibrant market for its luxury brands. Nonetheless, the benefits should be round the corner.

The US spirits market continues to decline despite the economic recovery, but Guinness's premium brands have shown solid sales growth – evidence that buyers are shifting towards the more expensive products, where Guinness has a dominant position. The relaunch of Bells should help counter two years of double digit profit declines in the UK. Guinness is also cashing in on substantial exposure to emerging markets. A collapse in Venezuelan profits notwithstanding, these markets offer strong overall sales growth at highly attractive margins.

Guinness shares are trading on a market average rating based on 1995 forecasts, yet they offer the beginnings of a profits upswing. In addition, its resurgent cash flow underwrites future dividend growth. The company would do well to demonstrate this financial strength by buying back shares. It could kill two birds with one stone by buying part of LVMH's 20 per cent stake in Guinness. Removing a potential share over-hang and enhancing earnings per share should help it regain a premium rating.

OFT

The Office of Fair Trading's decision not to refer UK equity underwriting practices to the Monopolies and Mergers Commission leaves the clubby atmosphere of City and British boardrooms undisturbed. But Sir Bryan Carsberg, the OFT's director general, is not guilty of chickening out. The lack of competition in UK underwriting could not have been remedied by proscriptive rules. The real onus is on companies to seek the cheapest financing available. Company directors still tend to pay more attention to old school ties than to economic value.

The lack of competition stems from the fact that shareholders, companies and banks are all doing reasonably well under the existing system. Companies benefit from relatively cheap funding from rights issues, and so have been too slow to explore options such as deep-discounted rights issues or the separation of advisory and underwriting functions. The non-executive directors appointed to ensure fair play have often been put forward by merchant bankers, to whom they then feel beholden. The merchant banks, meanwhile, earn better fees than the brokers, and are not forced to compete with foreign institutions.

The status quo has been maintained for so long because pre-emptive rights, which require new equity to be offered to existing shareholders, force UK companies to raise most of their new equity via rights issues. But companies should not use pre-emptive rights as an excuse for sloppy financing decisions. Within the existing system there is room for greater competition and innovation.

See additional Lex comment on Northern Foods, Page 20

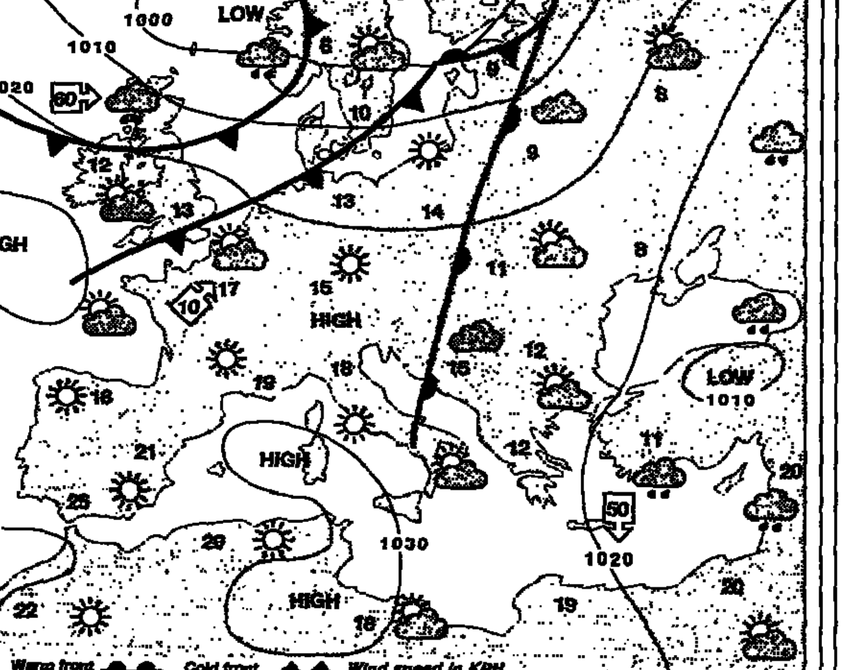
FT WEATHER GUIDE

Europe today

Rain is expected in northern England and Scotland because of a lingering frontal zone associated with a depression over the Norwegian Sea. Rain will affect southern Norway but the rest of southern Scandinavia will have sunny periods. The Benelux and the southern UK will notice a mixture of cloud and sun, especially later in the day. France, Spain and Portugal will have a lot of sun, although northern coasts will have some high cloud. Central Europe and the western Mediterranean will enjoy spring-time conditions with plenty of sun. The western Balkans will be overcast but eastern parts will have sunny spells. Cloud and rain are expected in the south-east Balkans.

Five-day forecast

Unsettled conditions over the eastern Mediterranean will be replaced by mainly sunny skies because of a building high pressure area. The western Mediterranean will become unsettled after the weekend and conditions in north-west Europe will worsen. Temperatures will drop and wintry showers are expected to enter the continent after the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	26
Accra	cloudy	29
Algiers	sun	20
Amsterdam	fair	13
Athens	fair	12
Atlanta	fair	24
B. Aires	shower	28
B.ham	fair	13
Bangkok	fair	36
Barcelona	sun	17
Beijing	fair	11
Belfast	rain	11
Belgrade	cloudy	12
Berlin	fair	16
Bermuda	shower	23
Bogota	cloudy	22
Bombay	fair	35
Brussels	sun	15
Budapest	fair	13
C.hagen	cloudy	9
Cairo	fair	20
Cape Town	cloudy	25
Caracas	thund	29
Cardiff	fair	13
Casablanca	sun	22
Chicago	fair	10
Cologne	fair	16
Dakar	fair	24
Dallas	fair	28
Delhi	fair	32
Dubai	fair	25
Dublin	cloudy	13
Dubrovnik	cloudy	13
Edinburgh	rain	12
Faro	sun	21
Frankfurt	sun	15
Geneva	sun	15
Gibraltar	sun	18
Glasgow	rain	11
Hamburg	fair	13
Helsinki	rain	5
Hong Kong	cloudy	24
Honolulu	cloudy	28
Istanbul	rain	8
Jakarta	cloudy	31
Jersey	sun	11
Karachi	sun	32
Kuwait	fair	24
L. Angeles	sun	17
Las Palmas	fair	24
Lima	cloudy	28
Lisbon	sun	23
London	fair	15
Lux.bourg	fair	15
Lyon	sun	18
Madeira	fair	23
Madrid	sun	21
Majorca	sun	19
Malta	fair	16
Manchester	fair	12
Manila	cloudy	32
Melbourne	shower	20
Mexico City	fair	26
Miami	fair	29
Milan	sun	19
Montreal	fair	-1
Moscow	cloudy	7
Munich	sun	12
Nairobi	fair	29
Naples	sun	16
Nassau	fair	26
New York	fair	6
Nice	sun	16
Nicosia	rain	18
Oslo	fair	10
Paris	sun	18
Perth	fair	32
Prague	sun	16
Rangoon	fair	36
Reykjavik	cloudy	2
Rio	fair	29
Rome	sun	17
S. Frsco	fair	15
Seoul	shower	14
Singapore	fair	33
Stockholm	rain	10
Strasbourg	sun	13
Sydney	fair	26
Tangier	sun	22
Tel Aviv	fair	22
Tokyo	shower	16
Toronto	fair	3
Vancouver	shower	9
Venice	sun	16
Vienna	sun	15
Warsaw	cloudy	14
Washington	fair	11
Wellington	fair	19
Winnipeg	fair	8
Zurich	sun	11

FINANCIAL TIMES
COMPANIES & MARKETS
Friday March 24 1995

IN BRIEF

Cosmetics disposal lifts Nestlé income

Nestlé, the world's largest foods group, lifted its net income 12.6 per cent last year to SFr3.25bn ($2.79bn), due mainly to a SFr306m extraordinary gain on the sale of its cosmetics distribution subsidiaries to L'Oréal of France. Excluding the gain, net income was up only 2 per cent. Page 18

Property downturn hits Cheung Kong
Cheung Kong, Mr Li Ka-shing's flagship property development and investment company, yesterday disappointed the Hong Kong stock market with a 3.4 per cent advance in net profit to HK$10.1bn (US$1.3bn).
Meanwhile, Hutchison Whampoa, the Mr Li's diversified Hong Kong conglomerate, yesterday reported a 27 per cent increase in net profits to HK$8bn ($1.03bn) in the year to the end of December, broadly in line with expectations.
Page 19

MG board explain oil contract policy
Mr Kajo Neukirchen, chairman of Metallgesellschaft, yesterday defended the German company against charges from critical shareholders that the US oil contracts which nearly caused its collapse had been wound up in a way that sharply increased the losses. Page 18

Sell-offs help cut loss at IRI
IRI, the Italian state holding company, is set to report reduced losses for 1994, helped by the continuing programme of privatisation. Page 17

UK dairy company sheds 2,200 jobs
Northern Foods, one of the UK's biggest dairy companies, is shedding 2,200 jobs. Mr Chris Haskins, chairman, warned that 1994-95 pre-tax profits would fall by 25 per cent to £118m ($194m) after a restructuring charge of £91m. Page 20

Lufthansa back in profit
Lufthansa, Germany's state-owned airline, swung back into the black last year, with the parent company reporting pre-tax profits of DM306m ($218.6m), following a deficit of DM53m in 1993.
Page 17

KLM to raise stake in Air UK
KLM Royal Dutch Airlines is to bolster the capital base of Air UK, its UK partner airline, by raising its stake in the company to 45 per cent from 14.9 per cent. Page 17

Veba profits rise 51%
Veba, the German chemical and energy group which is expanding into the telecommunications market, yesterday announced a 51 per cent rise in profits for 1994. Page 18

BAT steps up efforts to oust ITC chief
BAT Industries yesterday refused to back the diversification plans of ITC, the Indian tobacco, paper and finance group of which it owns 31.5 per cent, unless Mr Krishan Lal Chugh stepped down as chairman. Page 18

Hesitant opening for Bombay
The Bombay stock market opened after a three-day suspension and finished lower in hesitant trading.
Back Page

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
BASF	285	-	7.2
Linde	757	-	38
Linotype	298	-	19
Lufthansa	165	-	13.6
Thyssen	247	-	11.3
Viag	500	-	18.5
NEW YORK ($)			
Rises			
Eljer Inds	6⅛	+	1¼
Micron	77¾	+	3⅛
Natl Semi	18⅝	+	1
Wabash Natl	34	+	2
Falls			
Owens & Minor	12⅝	-	⅝
Seitel Inc	30¼	-	2
LONDON (Pence)			
Rises			
Medeva	213	+	13
On Demand	70	+	8
Frontline	259	+	21
Quality Softw	390	+	22
Spirax-Sarco	478	+	42
Falls			
Lloyds Chemists	200	-	17
TORONTO (C$)			
Rises			
Gullevin Cl A	9½	+	⅛
Softkey Softwr	37¼	+	1¼
Falls			
Amer Sensors	11⅞	-	⅜
Biovail Corp	19⅝	-	⅜
Bonar	20	-	2
Mitel Corp	10¼	-	⅛
PARIS (FFr)			
Rises			
BIC	731	+	41

Falls			
BNP	227	-	8.8
CCF	203.5	-	10.0
Credit Foncier	496	-	26
Thomson CSF	123.5	-	5.1
UAP	117.7	-	5.3
TOKYO (Yen)			
Rises			
Komatsu	595	+	21
Falls			
Aoki Corp	421	-	28
CSK	2170	-	160
Chiyoda Fire	497	-	37
JEOL	572	-	39
Makino Milling	615	-	35
HONG KONG (HK$)			
Rises			
HK Fortune	0.99	+	0.16
Jardine Intl Mt	8.6	+	0.5
Lafe Intl	2.25	+	0.2
Leading Spirit	1.87	+	0.2
Shun Tak	4.6	+	0.3
Falls			
Wheelock	12.8	-	0.5
BANGKOK (Baht)			
Rises			
Amarin Printg	47	+	4
Lanna Lignite	192	+	17
Strongpack	36.75	+	3.25
The Bangchak	46.25	+	2.75
Falls			
Fancy Wood	44.25	-	8.25
One Holding	61.5	-	3.0

New York and Tokyo prices at 12:30.

Japan brokers see dive into losses

By Gerard Baker in Tokyo

The severity of the slump in the Japanese stock market was underlined yesterday when the country's four leading stockbrokers all forecast group recurring losses - before extraordinary items and tax - in the financial year ending next week.

For Nomura, Yamaichi, Daiwa and Nikko the latest forecasts contrast starkly with ones made last autumn that all would be in profit. The year's results may force the brokers to make a rare cut in dividends.

Dismal trading volumes on the Tokyo Stock Exchange, the mainstay of brokers' income, was the principal reason for the downward revisions, the companies said. In the past few months average daily trading volumes on the exchange have fallen below 300m shares, the break-even figure for most of the larger brokers. But the leading companies have also suffered from weakness in their overseas operations, especially in European bond and equity markets. Those difficulties have pushed group earnings firmly into the red.

Of the four, only Nomura, the largest company, expects its parent company to register a recurring profit - of just Y5bn ($56m), compared with a forecast of Y70bn last September, and a revised forecast of Y20bn in January.

Japan's 'Big Four' Stockbrokers (parent company Ybn)

	Recurring profits* Forecast 1994-95	Recurring profits* Actual 1993-94	Net profits Forecast 1994-95	Net profits Actual 1993-94
Nomura	5.0	50.6	20.0	24.8
Daiwa	-26.0	52.0	-34.0	24.5
Nikko	-19.0	35.0	-23.0	16.8
Yamaichi	-49.0	17.8	-52.0	20.3

* Before extraordinary items and tax. Source: Company reports

Poor performance at overseas subsidiaries forced the company to forecast a consolidated pre-tax loss of Y35bn.

Daiwa expects a recurring loss of Y26bn at the parent level, reversing its September prediction of a Y40bn profit. Yamaichi forecasts a recurring loss of Y49bn, revised down from a projected profit of Y13bn, while Nikko expects a recurring loss of Y19bn, its worst ever result, compared with an earlier forecast profit of Y30bn.

Nikko also announced that the continued slump in its revenues had forced it to make further job cuts. It expects to lose 500 jobs over the next three years. This would cut its group workforce to 9,000, a fall of more than 10 per cent since 1990.

In the past two months Nomura and Daiwa have announced staff cuts and without a sustained improvement in equity trading volumes analysts expect the retrenchment to continue. Last week, Japan's smaller brokers all sharply revised their earnings estimates for this year.

The slide in equity prices, the main cause of the collapse of trading volumes, continued yesterday with the Nikkei index of 22 leading stocks hitting a 28-month low.

Lex, Page 22

Barings consulted central bank on advances

By John Gapper and Nicholas Denton in London

Senior Barings executives asked the Bank of England more than a year before the merchant bank's collapse whether they could legally advance substantial payments as collateral for derivatives trades on Japanese exchanges.

The contact with Bank of England supervisors indicates that executives were concerned about the chance of breaching "large exposures" provisions in the 1987 Banking Act which limit the amount that can be advanced to a single borrower.

Barings executives believed that such advances were "riskless" because the Japanese government stood behind the exchange. This would have meant that they could advance more than 25 per cent of the bank's capital without breaking the large exposures provisions.

Executives thought they had not broken exposure limits in January and February this year despite the bank's treasury having reportedly advanced $900m as collateral to cover futures trades by Mr Nick Leeson in Singapore.

This sum was more than its consolidated capital of £540m, ($886m) but executives thought payments on its own account positions were within the limit.

Blunders that bust the bank .. Page 16

They apparently thought other margin payments were being made on behalf of clients.

Barings asked the Bank a series of questions when the European Union implemented its directive on large bank exposures in the UK in 1993. It is thought to have raised the issue again last year, but was told a decision had not been reached.

Barings executives accepted that advances to Baring Futures (Singapore), Mr Leeson's unit, were bound by large exposures provisions because it did not fall within the consolidated UK operations of Baring Securities and Baring Brothers.

Under the act, banks cannot advance more than 25 per cent of their capital to a single borrower and must notify the Bank of England about any advance of more than 10 per cent.

Barings had to report any large exposures regularly. The issue of whether Barings broke the 1987 act in funding Mr Leeson is central to the Bank of England's inquiry into Barings' collapse a month ago.

Senior executives had discussed plans to interpose a set of Japanese banks between it and the Osaka exchange to break down any illegal "large exposure" if they were told by the Bank of England that such an advance would breach the law.

The 25 per cent prohibition does not apply to "sovereign risk" advances to countries in the Organisation for Economic Co-operation and Development, but Barings would have been obliged to report such advances.

Some Barings executives also believed that large exposures to the Simex futures exchange in Singapore would not be barred by the law because the 81 banks and companies that are members of the Simex clearing house jointly stood behind trades.

Any exposure to Simex could have been broken down into smaller exposures which would bring any advance below the 25 per cent level.

Share price advances 16.5p as results match top end of forecasts

Guinness lifts profit to £915m for full year

By David Blackwell in London

Guinness, the UK spirits and brewing group which returned disappointing interim results last September, yesterday reported full-year profits at the top end of forecasts at £915m ($1.5bn).

Profits from continuing operations rose from £938m to £956m, while sales grew by just 1 per cent to a record £4.7bn. The board is proposing to lift the final dividend from 9.18p to 9.90p, taking the total for the year to 13.8p (12.8p). The shares responded with an increase of 16.5p to 438p.

Mr Tony Greener, chairman, described the outcome as "a good performance" given the trading conditions. The group, which had been able to lift the dividend to record levels, was starting to reap the rewards of its strategy of building on brands, he said.

Sales of Johnnie Walker whisky, which has been a principal target in the brand building exercise since 1987, reached 10.5m cases last year, compared with 9.5m in 1990.

Operating profits from United Distillers were flat at £700m, while sales slipped from £2.8bn to £2.7bn. The mature markets in the UK, the US and Japan continued to struggle, with North American operating profits down from £204m to £196m, and the UK down from £121m to £99m.

The overall result was lifted by currency exchange benefits of £29m, and by the rest of Asia and South America - except for Venezuela, where economic problems lopped £30m off profits compared with last year. Emerging markets for the first time accounted for more than 10 per cent of the division's profits.

Net income at LVMH, the French luxury goods group, jumped 80 per cent to FFr6.4bn ($1.28bn) for 1994, aided by the restructuring of cross-shareholdings with Guinness. Group profit rose 23.4 per cent before exceptional items to FFr3.7bn. Details, Page 17

The group said that the relaunch of Bell's as an eight-year-old whisky in the UK had resulted in a sales gain of 4 per cent in the final quarter. It denied that the decision to cut the strength of Gordon's Gin from 40 to 37.5 per cent alcohol had contributed to the brand losing market share to cheap own label gins.

The brewing division lifted operating profits from £237m to £256m on sales up from £1.9bn to just under £2bn. The division was helped by an improved performance at Cruzcampo in Spain, and better profits from Malaysia, where sales of Guinness recovered strongly. A 20 per cent rise in marketing spending helped to lift Guinness's share of the UK draught beer market and maintain its position in Ireland.


Tony Andrews
Stout result: Tony Greener, chairman, salutes "a good performance"

The pre-tax profit of £915m includes £89m from the investment in Moët Hennessy following the reorganisation last April of the relationship with LVMH Moët Hennessy Louis Vuitton. Pre-tax profits for 1993 were £702m, after an exceptional charge of £173m relating to LVMH. Net interest charges fell from £188m to £130m. Fully diluted earnings per share were 31.6p, compared with a previous 31.7p before exceptionals.

Lex, Page 14

JP Morgan shifts power to the regions

By Nicholas Denton in London and Richard Waters in New York

JP Morgan, the US commercial bank, yesterday announced a shake-up which will concentrate power in the hands of three new regional executives, countering a broad trend within the banking industry to break down such regional fiefdoms.

The move partially reverses efforts by the bank over the past five years, and is the first clear sign of changes since Mr Douglas Warner took over as chairman late last year.

Morgan had previously been organised around specialist functional groups, such as fixed income and emerging markets, all of which were run from New York.

In future, the leading role will go to the regional heads, who will be "complemented by" these groups, the bank said.

The shake-up in part represents an admission by the bank that it has failed to cross-sell services effectively to its customers.

Few of the bank's customers use a wide range of its services. Only around one in 10 of its biggest customers use four or more of its 16 main services, Morgan said. More than half only use the bank for one or two services.

By putting power into the hands of regional heads, the bank hopes to strengthen its relations with corporate and institutional customers around the world and cross-sell its range of products better.

The bank has also shifted to the regions authority over corporate finance divisions, which provide advice on acquisitions. The position of global head of corporate finance will disappear. Mr John Mayer, who had held the position, will replace Mr James Flynn as chief financial officer in June on Mr Flynn's retirement, the bank said.

Many investment banks, such as CS First Boston, have sought to break down regional fiefs in favour of management structures which emphasise global management around particular functions.

"We have had the global product areas in place and now we are taking the next logical step which is to reinforce the regional focus and be even closer to clients," Morgan said.

Rival investment bankers said the changes appeared to be largely cosmetic. Management reorganisations rarely changed the way business was conducted, they said.

Littlewoods chief executive dismissed amid family feud

By Roderick Oram, Consumer Industries Editor

Littlewoods, the British football pools, mail order and stores group, said yesterday it had "dismissed" Mr Barry Dale as its chief executive but declined to disclose the reasons. "I have no knowledge of their being any problem," the company said.

Mr Dale joined a growing list of managers from the group who have apparently fallen out with the Moores family, Littlewoods sole shareholders and descendants of Sir John Moores who commercialised the pools before the second world war.

Only some 35 family members hold shares in the company but they are divided into opposing camps, Littlewoods insiders said.

Mr Dale's departure comes at a critical time for Littlewoods. Its pools business is suffering a loss of betting to the UK National Lottery. Some 58 per cent of the adult UK population regularly play the lottery and its success recently prompted Ladbroke to take a £100m ($164m) provision against the brand name of Vernon's, Littlewoods pools' competitor.

"The pools business is being ravaged by the lottery," one analyst said yesterday.

"This is absolutely not a pools problem," Littlewoods said. Moreover, the group as a whole "achieved healthy profits again last year", it added. It publishes its 1994 results next week.

One weak spot in the results might be Littlewoods' stores which suffer in terms of product range and location in comparison with some leading retailers. The stores are "finding life hard", the analyst added.


Dale: departs at a critical time

Moreover, Littlewoods is thought to have under-invested in its mail order business in recent years compared with smaller and more nimble competitors.

The group has suffered a number of management problems in recent years. Investigations are under way, for example, into practices in its buying operations. In addition, Late last year it fired Mr Prodip Guha who ran its international operations for talking to a journalist without authorisation.

Mr Bill Humtley, deputy chief executive, replaces Mr Dale temporarily. He joined the group in 1984 from Sperry Computer, which became part of Unisys, the US computer group. Sevanalysts expressed caution yesterday about his lack of retailing skills. Littlewoods said it was "looking for a chief executive of the highest management calibre".

Mr Dale, 57, joined the group as finance director from London Transport where he had held the same post.

A month to the day after Barings' collapse, the bank has been rescued. Life at 8 Bishopsgate, its headquarters, has returned to normal. So far, the only victims are charities that depended on the Baring Foundation and bond-holders whose assets are worthless. Meanwhile, the Bank of England's investigation is under way, with interim findings due in three weeks. FT reporters have also been at work, piecing together the events that led to Barings' disastrous gamble. This is their report.

Blunders that bust the bank

Singapore's Changi airport is neat, modern, unremarkable. To Nick Leeson and his new wife, arriving there in March 1992, it was the door to opportunity.

Married only a month – Nick was 25 and Lisa was 20 – they were leaving behind a boring life in Britain, humdrum jobs in a City back office and a string of debts. Though Nick Leeson was being posted by the Barings group, his employer since mid-1989, to a back office job just like the one he had had in London, he was on a half-promise of something better.

Leeson was to work as a clerk at Simex, the Singapore International Monetary Exchange. In time his handling of trades was seen to be good, and he was given more responsibility. By the end of 1992, Barings had got a Simex trading licence for him. He had been unable to obtain one in London, because the regulator had discovered that he not told it of a court judgment against him for debt.

In Singapore, Leeson emerged as a highly talented and fearless trader. But friends say his early success may be one of the causes of later problems: "The fact that he did not lose money in his first year or so of trading is one of the worst things that could have happened," one said. "It would have made him feel invincible. You have got to taste disaster early on to realise what sort of a job this is."

By 1993, he was general manager of Barings Futures (Singapore), the 25-person operation that ran the bank's Simex activities. Officially, he reported to James Bax, the managing director; in practice, Bax – whose real job was running Barings Securities in Singapore – disliked what he saw as confused reporting lines for the futures operation and steered clear of it. Leeson's real bosses were thus the regional manager in Tokyo and – more important – the head office in London.

Once he started making money, life was pleasant, though scarcely glamorous. Singapore apartments are expensive, but not particularly lavish. His cost somewhere between S$3,000 and S$5,000 (£2,235) a month, paid by Barings. That is cheap by local standards – colleagues' flats might cost S$8,000 to S$12,000.

In the morning, Leeson would work at a desk on the trading floor in the Overseas Union Bank centre at One Raffles Place, in the heart of Singapore's business district. Activity for him was generally hectic till around 2.15 pm. He would then stroll the five minute walk diagonally across Raffles Place to the Baring Futures office on the 24th floor of the Ocean Towers block. He would spend some time going through paperwork there, then go to the pub, usually with fellow expatriate traders. Harry's Bar, the favourite, is only a five minute walk away on Boat Quay, a smartened-up area of converted Chinese chop houses by the Singapore river.

Friday night outside Harry's is like London in 1986. Young, pink faces, like sweaty baked hams. Mostly male: ties undone, legs apart. Loud English voices, most from London or south-east England. Some pony-tails and tattoos. Jugs of locally produced Tiger beer (slogan: "Time for a Tiger"): plenty of mobile phones. The traders use their own phrases: "geeze", short for geezer, "pants", which means really bad, and "toast", to describe a money-losing position in the market: "I was toast."

Skills needed for success in the pit include aggression, speed of mind and a loud voice. Colleagues say Leeson was good at all three. When he drank, he could get rowdy. He once dropped his trousers in a local disco and when a woman protested offered her his mobile phone to call the police. He was fined S$200 for indecent exposure.

Such occasions apart, however, Leeson was popular and unassuming. "He was one of the lads but we all looked up to him in an older brother sort of way," says a Barings trader. "We knew how highly management valued him." Another trader says: "To see him operating here was to see someone who believed in themselves. You got the impression he really thought he was the market."

What exactly was Nick Leeson doing? The original role of the Baring Futures (Singapore) office was to allow clients to buy and sell futures contracts on Simex. It had done so efficiently for some time, and had become a central part of the Simex market. Access to the flow of customer orders allowed Barings to know what was going on minute-by-minute on the market, and gave it an edge when it came to trading for its own account.

Barings had decided to focus on proprietary trading as part of its overall group strategy, an approach confirmed with the hiring of Ron Baker from Bankers Trust in London in April 1992, a few weeks after Nick Leeson went to Singapore. Baker had been head of Eurobonds at the US bank.

Following a strategy designed to minimise risk (see below) Barings quickly began to make big profits in Singapore – big enough to be both gratifying and a source of slight unease. Was it all too good to be true? Was Leeson taking bigger risks than anyone in London realised? Or, even if everything was fine, would the seam of gold soon run out?

This would be no laughing matter. In the seven months to July 1994, the proprietary trading activities in Singapore generated a profit of US$30.7m, equivalent to roughly a fifth of the group's profit for the whole of the previous year.

In the summer of 1994, Barings was trying to get a better handle on its overall risk, by setting up an integrated Group Treasury and Risk function to report to a daily meeting of a new asset and liability committee (Alco), announced in August 1994 but not in operation till November.

The scale of the profits in Singapore clearly merited attention. James Baker, one of the group's internal auditors, spent two weeks in Singapore in July and August 1994, talking to staff and preparing a report. His report described the five proprietary trading strategies listed below. It concluded that Barings' position as a member of both exchanges, together with the scale of its client business and Nick Leeson's experience and contacts, gave it the edge over its competitors. In short: Barings was making money hand over fist in Singapore because it was good, not because it was taking undue risks.

Still, the report was clearly unhappy about one thing: the weakness of internal controls. The very first sentence of the report's executive summary said: "There is a significant general risk that the controls could be overridden by the General Manager. He is the key manager in the front and back office and can thus initiate transactions on the Group's behalf and then ensure that they are settled and recorded according to his own instructions."

It recommended that the back office should be reorganised "so that the General Manager is no longer directly responsible for the back office". Nick Leeson agreed to the recommendations – and a separate financial manager in Hong Kong was given part-time responsibility for watching over the back office. As the man on the spot, offering advice and instructions to the five Malay clerks – young women modestly dressed in Moslem headscarves – Leeson remained the dominant influence in the back office.

In fact, for some months before the audit, he had been circumventing the accounting system, in just the sort of way the audit suggested was possible. By January 1994 at the latest, he introduced a new trading strategy. He began selling put and call options on the Nikkei 225 index, receiving the premium into an unauthorised and unreported trading account, known as error account number 88888. A put option gives the purchaser the right to sell an underlying security at an agreed price; a call option gives him the right to buy. Both the put and call options were usually struck at the same exercise or strike price – the price to which the Nikkei would have to rise or fall for the buyer to exercise their option – a combination of transactions known as a "straddle".

In effect, the straddle represents a bet on volatility – that the market will not be subject to sharp upward and downward movements. According to internal documents Leeson gradually stepped up sales of straddles and other options in the second half of 1994.

During 1994 the markets performed reasonably well for Leeson. From March until the end of December the contract hardly strayed from a remarkably narrow range between 19,000 and 21,000, partly propped up by government-sponsored buying by public-sector financial institutions. Trading volumes on the Tokyo stock market were close to eight-year lows throughout this period. As a result the options trading activity does not appear to have been loss making. Indeed, a memorandum from Barings' asset and liability committee dated February 24 states that the options portfolio had a positive value of Y2.8bn.

Nevertheless, for reasons that are still unclear, Leeson did run up a loss on account 88888. According to Barings' later investigation, an accrued loss ammounted to some Y7.7bn (£50m) by the end of 1994. One Japanese derivatives specialist says Leeson bought Nikkei futures heavily in the autumn and winter. "A lot of people were buying in December. Everyone was bullish and people were going long," he says.

The New Year rally on which the market had been counting failed to materialise. Public sector support operations for the stock market began to dry up in early January, and companies started selling stocks to dress up their profits at the March year-end. As a result the Nikkei, on still weak volumes, slid gradually to the bottom of the trading range in mid-January. Still, volatility was low, and looked likely to remain so. It was clear that it would take either an external shock or a significant change in market sentiment to lift the market out of its torpor.

In the early hours of January 17, an earthquake of 7.2 on the Richter scale hit Japan's industrial heartland around Kobe and Osaka. Damage was immense; over 5,000 people died. For the rest of that week the Nikkei dropped only slightly – the 225 futures contract fell from 19,350 on the day of the quake to 18,950 on Friday 20. The prevailing sentiment was that the stimulus from reconstruction would probably offset the immediate disruption to production. Leeson must have watched with bated breath as the market hovered nervously around 19,000 on that Friday.

Over the weekend, sentiment changed dramatically, and the dam broke. On the Monday, January 23, the Nikkei 225 dropped by 1,000 points to 17,950. It was at this point that Leeson began heavy buying of the Nikkei March and June 1995 futures contract for account number 88888. By the close of trading on February 23, the error account contained 55,399 Nikkei contracts expiring in March and a further 5,640 contracts expiring in June. Adjusted to reflect the Nikkei 225's level of 17,605 – reached during Friday February 25 – the contracts left Barings with a loss in Simex of some Y59bn (£384m). There was another long position in Osaka.

Why did Leeson place such a huge bet? One theory is that he was trying to shore up the market, to restore the profitability of his straddles. Not only did the Kobe earthquake trigger a fall in the overall value of the Nikkei 225, it also led to a sharp increase in volatility – increasing the risk that the put options sold by Leeson would produce serious losses. Usually, a trader caught with a losing straddle position in a falling market would sell the futures contract short, in order to protect himself against any further downward movement.

Instead Leeson appears to have done exactly the opposite, increasing his exposure to further downward movement in the Nikkei by buying the futures contract. "He was trying to single-handedly hold up the market," says one trader. Not everyone shares this view, however. Some traders argue that Leeson was simply following a time-honoured tradition among money-losing traders: doubling up to try to salvage an otherwise hopeless position. But the size of his gamble seemed to put it in another league. Indeed, Peter Baring, the group's chairman, even suggested that Leeson might have been conspiring with outside speculators to break the bank. Though this view is not widely shared, it indicates the reactions Leeson's trading arouses with hindsight.

Even at the time, many observers of the market were bemused at the scale of Leeson's activities, and reached wildly varying conclusions about their origins. "We thought they were doing it on behalf of American hedge funds," says Nomura Securities. A US trader says: "We always thought this was basically a Japanese client who was going to go bankrupt because his business was collapsing."

"Leeson's activities captivated the whole market for months," says one Japanese derivatives specialist. "To say you were unaware of it was like living in the US in the 1960s and not knowing the Vietnam war was going on." Back in London, however, all was calm. Although the asset and liability committee (Alco), operating in its new form since November, was concerned at the scale of the positions Leeson was taking, it believed them to be fully hedged, thus risk-free.

On January 24 Alco noted the extent of positions in Singapore. Two days later, on January 26, the day Leeson secretly made his biggest purchase of Nikkei futures, Alco was given a presentation by the London futures team on the Baring Futures (Singapore) operation. Alco was told then that Leeson was operating a perfectly matched book. The positions reported to Alco showed, day in, day out, that the "switching book" (the accounts Leeson used for proprietary arbitrage) was long in Osaka but short to the same amount on Simex.

Alco members say that Ron Baker, the head of futures, repeatedly told them the Singapore operation was a highly profitable business, and that Leeson should be left alone to continue to make money for the group. There were heated discussions on Alco, according to one member. But Ron Baker was the strongest character on the committee, with a powerful physical presence and energy. Though Alco members did not suspect that Leeson had taken a bet on the direction of the Nikkei, they were still concerned at the size of the positions. Alco gave written instructions that "Leeson be advised that position should not be increased and when possible reduced".

It was not merely the possible trading risks that concerned London executives. They also found themselves funding a larger and larger amount in collateral payments on Leeson's trading positions. Exchanges such as Osaka and Simex limit the risk of traders defaulting through "margin calls". The intention is that no trader will be found unable to meet a loss-making futures contract on the day it has to be settled.

The system requires anyone taking a contract to pay an initial sum to the exchange as collateral against possible losses on it. From then on, as the underlying cash markets move, the trader must deposit further amounts to cover any potential losses on a daily basis. These payments are known as "variation margin".

Even traders with perfectly matched positions, as Barings thought it held, have to make substantial margin payments. They must make margin payments on the loss-making side of their positions until the date the contracts are settled, when they can repay those advances with the cash they gain from the profit-making positions.

In January and February, as Leeson's trading in the hidden accounts mushroomed, the funding requirements increased dramatically. Price Waterhouse, the accounting firm which is investigating the affair in Singapore, has said that in January and February of this year, Barings in London remitted S$1.3bn to Baring Futures to meet margin payments. This sum was equivalent to more than the bank's entire capital base of £540m.

From the outside, it seems impossible that such large sums could have been sent without Barings finding out that it was inadvertently making margin payments on hidden trades. It is still unclear how this happened. However, Leeson seems to have benefitted from confusion between two reporting lines, one to London on proprietary trading and another to Tokyo on trading for customers. Some customers had credit facilities with the bank, and margin payments were settled for them by Barings. Leeson may have convinced London that some of the margin payments were being made on behalf of Tokyo clients.

On February 16, a Thursday, Alco again asked Ron Baker to tell Leeson to reduce his positions. He had been meant to talk to Leeson the following weekend, before going on holiday. It is not known whether that conversation took place, and what its contents were.

Sitting above Alco was the investment bank's overall management committee. But, says an influential member: "The issue was really not discussed on the management committee. We had got reports reaching us of large positions on Osaka from our Japanese traders. They were saying 'Hey, you guys are being a bit sporty.' We heard that, but we thought it did not matter."

If Barings head office was calm, the exchanges were starting to worry. But Takuo Noguchi, senior executive governor at the Osaka exchange, says it did not contact Barings over its positions, and adds that neither will it do so if a broker has large positions in the future. "We want to give priority to market forces," he says.

The two exchanges rarely talk to each other. Indeed, Osaka officials say they have only met Simex officials three times. But Simex was in constant contact with Barings during January and February. Simex wrote to Simon Jones, a director of Baring Futures (Singapore) on January 27 with full details of BF(S)'s open positions at Simex, as of December 30 last year.

On February 8, Tony Hawes, Baring's group treasurer, flew to Singapore. According to Simex, Hawes reassured officials that Barings had provided for its commitments. The exchange appeared to be convinced. But Hawes's visit had a side-effect. Coopers & Lybrand, the accountancy firm which took over as auditor of BF(S) in August last year, had been about to sign off on the unit's accounts. After Hawes's visit, however, the auditors expressed what one insider said was "concern that the whole picture was not true and fair". They held off signing the accounts until they could clear up a few points with Leeson – but that meeting never took place.

By now, Leeson was under mounting pressure. It was becoming harder and harder to conceal the scale of the losses, and the flows of money required from London to cover margin calls. Yet he continued to act calmly. When a reporter from the AP-Dow Jones news agency called him to ask why he was accumulating such a big position, he replied that his positions were all hedged. And he carried the sangfroid through into his private life.

He had told three of his friends that he would go on a golfing holiday with them on the weekend of February 25-26. But the irregularities were about to surface. Hawes had returned to Singapore, and was taking a fresh look at the accounts. By Thursday February 23, he had started to uncover the full scale of the problem. Leeson told his friends that day he could no longer make the golfing trip; instead, he was leaving that night to take his wife on holiday. One of his friends gave him a lift to the airport on Thursday night – and, says the friend, he gave no indication of any troubles except to say that he had been overdoing it at work.

By that Thursday night, Hawes had started to grasp the magnitude of the disaster. He alerted Peter Norris, head of investment banking; on Friday the board met to consider a hastily prepared analysis of the transactions in Account 88888. The search for a rescue was under way – a search that was to end in bankruptcy, losses of £860m, and a purchase by Internationale Nederlanden Group.

Nick and Lisa Leeson left Singapore just three years after they had arrived with such high hopes; it was the eve of his 28th birthday. The next day, Friday February 24, Leeson faxed a handwritten letter to Bax and Jones in Singapore, with "sincere apologies for the predicament that I have left you in".

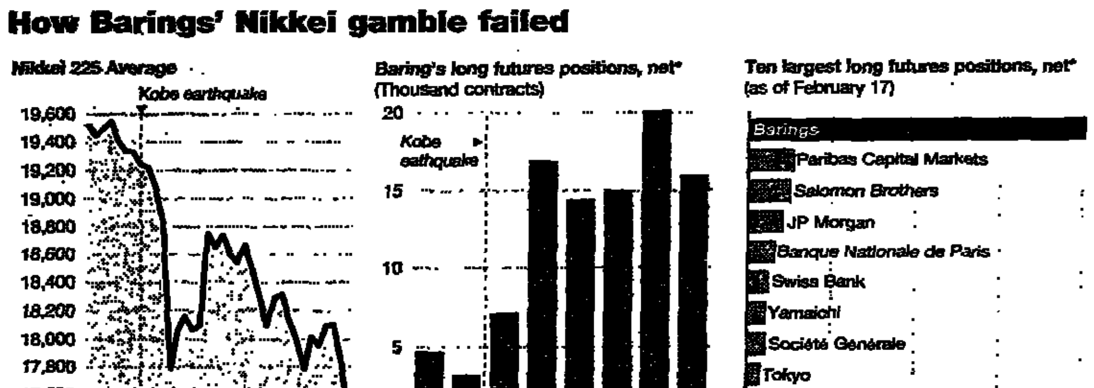
"It was never my intention or aim for this to happen but the pressures, both business and personal, have become too much to bear and...have affected my health to the extent that a breakdown is imminent." The letter said he was tendering his resignation immediately, and promised to make contact early in the following week "to discuss the best course of action".

That meeting never came. By the end of the following week, he was in a German jail, awaiting extradition proceedings.

Looking back on the crisis a senior Barings executive still does not quite understand what happened. The possibility of a conspiracy with outside speculators – as first suggested by Peter Baring – still cannot be ruled out, the executive says. "But, on the other hand, [Leeson] was a bit of a hero out there, and pride and ego can account for many things. I certainly don't think he was a bad trader. I don't know the answer to it, and I don't think that anybody does."

Reporting by: Gerard Baker, Jimmy Burns, Kieran Cooke, Nick Denton, John Gapper, Richard Lapper, William Lewis, Emiko Terazono. Written by Peter Martin.

How Barings' Nikkei gamble failed



Source: Osaka Securities Exchange & Datastream

*on Osaka Securities Exchange, Nikkei 225

What Barings thought its Singapore office was doing

Baring Futures (Singapore) was thought to be carrying out five proprietary trading strategies. None of them involved holding positions overnight. An internal audit report in the summer of 1994 said the Singapore team "are not authorised to carry overnight positions in any instrument traded. Compliance with this restriction is monitored in Tokyo and, independently, in London".

The strategies relied, in large part, on the fact that the two most important Simex futures contracts reflect the state of Japanese financial markets – the Nikkei 225 stock market index future and the Japanese government Bond future.

Because the Japanese government disliked what it saw as futures market speculation, much of the activity in these contracts had moved away from Tokyo, home of the underlying cash markets in stocks and bonds. Initially, the trading had moved to the Osaka Securities Exchange; more recently, some of it had moved offshore, to Singapore. The contracts were not absolutely identical, though they reflected the same baskets of securities, so small price differences emerged from moment to moment between the prices quoted in Osaka and Singapore. Relatively few brokers were members of both exchanges.

Barings was one of this select group and this status allowed it to profit from price discrepancies and superior access to market intelligence. These were the five proprietary trading strategies:

- Inter-exchange arbitrage. This is the crucial strategy. It was based on exploiting slight differences in pricing between Nikkei 225 futures on Simex and those on the Osaka securities exchange, where similar contracts were also traded. "At one stage recently BF(S) had house positions of 7,000 contracts open in Singapore, matched by 3,500 in Osaka (where contracts are twice the size); the long and short positions exactly offset each other so the group was not exposed to market risk. But nevertheless the gross value of the contracts was approximately $700m," according to an internal Barings audit in mid-1994.
- Position taking. Intra-day "games-playing" based on knowing what other market participants were up to, and taking advantage of the fact that local traders had little capital and could be squeezed into selling loss-making positions at a disadvantage.
- Liquidity arbitrage. Though technically a case of proprietary trading, this is really a way of using the firm's size, and its presence in both Singapore and Osaka, to allow clients to combine the keener prices in Singapore with the greater liquidity of Osaka.
- Trading against large orders. this is another form of inter-market arbitrage – in this case, Baring would learn of a large unfilled order in one market and take advantage of it by building up a smaller position in the other market. During the day, the existence of the unfilled order would influence prices in both exchanges, allowing Barings to profit from its own position.
- Spread price differentials. this is a relatively technical form of arbitrage that allowed Barings to profit from the difference between the prices quoted for "spreads" (that is, a combination of contracts expiring in different months) and prices quoted for the individual months' contracts in the two different markets.

Each of these approaches yields small profits per trade, so to be truly profitable, they need to be carried out on a big scale. Leeson was obviously carrying them out skilfully and well. By the time profits and losses were totted up at the end of 1993, a year or so after Leeson had switched to trading, he was making large enough sums of money to be a healthy contributor to Barings group profits.

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Guinness share deal helps LVMH post 80% advance

By Andrew Jack in Paris

LVMH, the French luxury goods group, lifted net income 80 per cent to FFr6.4bn ($1.3bn) in the year to December 31 1994, helped by one-off benefits from the restructuring of its cross-shareholdings with Guinness, the UK brewer.

The group, which produces champagne, cognac, perfume and luxury luggage, reported an increase in group profits before exceptional items of 23.4 per cent to FFr3.7bn, compared with FFr2.97bn in the previous 12 months.

Turnover rose 17.4 per cent to FFr27.97bn, and operating profits were up 21.1 per cent to FFr6.8bn.

The group said signs of recovery in its markets were confirmed in 1994, with expansion in foreign sales. Mr Bernard Arnault, chairman, said that judging by current trends, "1995 will be an excellent year".

Operating profits for perfumes and beauty products jumped 31 per cent with the launch of new products linked to extensive marketing, while luggage and leather goods profits rose 33 per cent.

There was an increase in champagne sales, with the company claiming the first, second and fourth best-selling brands. There was significant growth in cognac, particularly in China.

The exceptional gains were triggered by an exchange of shares in January last year, in which Guinness swapped its 24 per cent stake in LVMH for a 34 per cent stake in Moët Hennessy, the champagne and cognacs business within the group.

Last November, LVMH reduced its shareholding in Guinness to 20 per cent.

LVMH said its debt had been reduced to FFr3.4bn at the end of 1994, compared with FFr15.8bn at the end of 1993, and its ratio of debts to total assets stood at 5 per cent.

The board recommended a dividend of FFr17.50 a share, up from FFr15 in the previous year.

KLM lifts stake in Air UK to 45%

By Ronald van de Krol in Amsterdam and Michael Skapinker in London

KLM Royal Dutch Airlines is to bolster the capital base of Air UK, its UK partner airline, by raising its stake in the company to 45 per cent from 14.9 per cent.

The Dutch airline's planned purchase of 13m new shares in Air UK, worth a nominal £1 each, underlines the continued success of the two companies' partnership, which dates back to 1987.

KLM also said yesterday it was raising its stake in Martinair, a Dutch charter airline, to 50 per cent from 33.8 per cent.

KLM declined to say how much it is paying for the two stakes, but it is thought to be paying more than £20m ($31.6m) for the Air UK shares. However, it said that the two transactions, together with the $180m it spent recently on raising its stake in Northwest Airlines of the US to 25 per cent from 20 per cent, would result in a capitalised amount of goodwill totalling Fl 180m ($116m). This will be amortised at a rate of Fl 20m a year.

Air UK, based at London's Stansted Airport, flies to Amsterdam's Schiphol airport from 10 UK cities. These flights act as an important feeder service for UK passengers making connections with KLM's European and intercontinental flights.

Thanks partly to Air UK, the number of passengers flying from UK regional airports to Amsterdam rose 12 per cent to 610,000 in the first half of 1994.

The UK carrier is the second-biggest airline at Schiphol, in terms of aircraft movements and passenger numbers, after KLM.

In the UK, it is the third largest scheduled airline after British Airways and British Midland.

Air UK carried 2.6m passengers last year, an increase of 19 per cent on 1993, and expects to carry more than 3m passengers this year. The privately-owned airline had trading profits of £2.65m in 1994.

Sell-offs help IRI reduce 1994 loss

By Andrew Hill in Milan

IRI, the Italian state holding company, is set to report reduced losses for 1994, helped by the continuing programme of privatisation.

The company said yesterday that group consolidated losses for 1994 would be about L500bn ($291.7m), better than forecast last year. That compares with a consolidated loss of L10,209bn in 1993, which included heavy extraordinary charges.

In 1994, IRI said it expected the parent company to register a loss of L1,598bn.

Net debt at the parent company remains high, however, at L23,125bn, L926bn lower than at the end of 1994.

Parent company losses in 1993 were L10,230bn, which included extraordinary charges of L4,668bn for the liquidation of Ilva and Iritecna, its steel and construction engineering subsidiaries.

Finmeccanica, the quoted engineering group in which IRI has a majority stake, also reported full-year results yesterday, which showed a net group profit of L52.5bn. In 1993, Finmeccanica announced a return to profit of L33.3bn.

Turnover at Finmeccanica rose to L12,117bn, from L10,971bn in 1993, and operating profits increased to L476bn, from L460bn.

The value of orders acquired during 1994 rose to L11,970bn, against L10,130bn in 1993, 60 per cent of them outside Italy. Finmeccanica said it expected its strong order book to feed through into improved profits in 1996.

During 1994, IRI reduced its stake in Finmeccanica to below 60 per cent from some 85 per cent, through a L1,700bn capital increase, in which the state holding company took up only a minority of its rights.

IRI said the improvement in its results was partly due to better financial management, the progress of certain subsidiaries in the second half of the year, and L1,309bn net income from the sale of shares in three of its subsidiaries – Banca Commerciale Italiana, privatised just over a year ago, Cirio-Bertolli-De Rica, the foods group, and AST, the special steel producer.

In 1995, IRI said it would benefit from the sale of SME, the restaurant and supermarket group, which was completed at the beginning of this year; the sale of Ilva Laminati Piani, the flat steel producer; and the planned sales of shares in Stet, Italy's telecoms holding company, Autostrade, which manages many of Italy's toll motorways, and the unit which controls Rome's airports.

It now looks as though the long-awaited Stet sale is likely to take place in the autumn.

CCF net income rises 11.6%

By Andrew Jack

Crédit Commercial de France, the French banking group, yesterday reported net income up 11.6 per cent to FFr1.2bn ($241m) as its chairman added his weight to criticism of the state rescue package for Crédit Lyonnais.

A 42.8 per cent decline in provisions to FFr880.4m helped offset a 2 per cent decline in net banking income to FFr9.02bn and a rise of 7 per cent in general expenses and depreciation to FFr6.4bn.

Mr Charles de Croisset, chairman, said he was proud of the bank's 11th successive year of profit increases, and the quality of its balance sheet. "1994 was a good result", he said.

In a further indication of concern by competitors over the FFr135bn state-backed rescue package unveiled last Friday for Crédit Lyonnais, the state-controlled bank, Mr de Croisset said he shared the views of Société Générale and Banque Nationale de Paris.

The two banks, which are Crédit Lyonnais' largest rivals, earlier this week published a list of questions raising competitive concerns about the rescue.

In addition, Mr Edouard Esparbès, head of Crédit Agricole de l'Ile de France, the largest part of the mutual banking group, last week said that the plan was a "distortion of competition".

CCF said that, like its competitors, it had experienced a sharp drop in demand for loans from businesses, partly offset by a rise in customer lending.

There were increases in customer deposits and in revenues from life insurance and long-term savings products.

The CCF board said it would recommend to shareholders an increase in the dividend to FFr4.50 a share from FFr4.30, and would offer shares in lieu of a cash dividend.

Dutch to bring forward sale of second tranche in KPN

By Ronald van de Krol

The Dutch government is planning to bring forward the sale of its second tranche of shares in Koninklijke PTT Nederland (KPN), the country's telecommunications and postal group, to late 1995 or early 1996 from a previous deadline of end-1997.

The sale of the second tranche, now expected to take place between the autumn of 1995 and the spring of 1996, follows the successful flotation of an initial 30 per cent stake in June 1994.

That sale, which was lead-managed by ABN Amro, the Dutch bank, raised Fl 6.6bn ($4.25bn), after costs, for the state, and was the biggest flotation in the history of the Amsterdam stock exchange.

The government said yesterday that the exact timing and size of the share offering would depend on market conditions.

Last year, the government said it would hold on to roughly one-third of KPN's shares for at least 10 years, implying that the second tranche will equal one-third, or less, of KPN's share capital.

The government gave no reason for the accelerated sell-off but analysts noted that several European telecoms privatisations were scheduled for 1996 and beyond, including the largest single sale, the flotation of Germany's Deutsche Telekom.

By choosing an earlier date, the Dutch government is seeking to ensure the timing will appeal to international investors.

KPN, due to report 1994 results today, is likely to seek a listing on the New York Stock Exchange before the second tranche is sold.

EVC beats profits forecast

By Ronald van de Krol

EVC International, the European plastics maker, said its 1994 results exceeded the forecasts it made in the autumn, when nearly 70 per cent of its expanded share capital was floated on the Amsterdam stock exchange.

The company, a former 50:50 joint venture between ICI of the UK and EniChem of Italy, said pro-forma after-tax profit was Fl 86.3m ($55.5m) before extraordinary items. This reversed the previous year's Fl 107.5m loss and beat the company's forecast of Fl 53m made in its flotation prospectus.

Turnover rose 27.6 per cent to Fl 2.47bn, with about two-thirds of the improvement due to higher selling prices.

EVC said audited net profit before extraordinary items, as opposed to pro-forma results, showed a net profit of Fl 16.1m, down from Fl 73.5m. However, in 1993 these figures included, among other items, the financial support it received from ICI and EniChem and which is no longer relevant.

Total audited net results, including extraordinaries, dropped to a loss of Fl 461.4m from a profit of Fl 38.1m. This reflects extraordinary charges of Fl 477.5m, an amount predicted in the prospectus and taken to restructure the balance sheet.

Lufthansa returns to black

By Judy Dempsey in Bonn

Lufthansa, Germany's state-owned airline, swung back into the black last year, with the parent company reporting pre-tax profits of DM306m ($218.6m), following a deficit of DM53m in 1993.

The preliminary figures, which do not include the group's full consolidated earnings, stem from a restructuring of the company in 1993 in which the workforce was cut by 2,700 to 44,100 and productivity lifted 15 per cent.

Lufthansa said a further decline in labour costs, which fell 4 per cent last year, lower interest charges and a reduced fuel bill all helped improve profits.

Revenues in 1994 rose 7 per cent or DM1bn to DM16bn, while cash flow advanced DM800m to DM2bn. Capital expenditure, which totalled DM1.4bn, was funded from financial cash flow.

Borrowings were reduced by DM2.1bn to DM2.1bn. Lufthansa said the main contributing factor in reducing debt was the rights issue last year. This generated DM1.2bn, which was partly used to repay long-term loans.

However, the parent company incurred one-off charges totalling DM400m. Lufthansa said more funds were required to cover the risks arising from long-term leasing agreements. This was because of the continuing fall in the price for used aircraft and the fall in the US dollar.

CNP result hits sell-off target

By Andrew Jack

Caisse Nationale de Prevoyance (CNP), the insurance company ear-marked by the government for partial privatisation, yesterday reported profits up 11 per cent to FFr1.4bn ($281m) and an 18 per cent increase in turnover to FFr76bn for 1994.

Mr Philippe Lagayette, managing director of Caisse des Dépôts et Consignations, the French state financial institution which controls CNP, said the company had met all the conditions needed for the privatisation move.

He added that CNP had reached agreement on a new distribution network for the sale of its insurance products through the national post office over the next 10 years that would guarantee it a minimum volume of sales.

He said it had also successfully negotiated an agreement with the unions and had ratified with the state to deal with civil servants who have protected-employment status.

The details were released as part of the results for Caisse des Dépôts, which yesterday reported that group net income had tumbled to FFr1.1bn in the year to December 31 1994, from FFr4.1bn last time.

The group had to make provisions for Air France, Crédit Lyonnais and other investment activities which cost FFr1.4bn last year. It also made provisions against property of FFr1.3bn. This was partially offset by FFr1.1bn in contributions from other group subsidiaries.

For the first time in 10 years, the group reported a net inflow of funds – at FFr10.3bn – deposited in Livret A, the tax-beneficial savings scheme designed for investment in social housing projects.

Metallgesellschaft board under fire

By Andrew Fisher in Frankfurt

Mr Kajo Neukirchen, the chairman of Metallgesellschaft, yesterday defended the German company against charges from shareholders that the US oil contracts which almost caused its collapse had been wound up in a way that sharply increased the losses.

Both he and Mr Ronaldo Schmitz, the Deutsche Bank director who heads the industrial and trading company's supervisory board, told about 2,000 shareholders at the group's annual meeting that there had been no alternative to the policy followed at the end of 1993 of running down the futures and swap contracts to a manageable level.

"It was not a liquidation strategy but a reduction achieved through not rolling contracts forward," Mr Neukirchen said.

After the group's liquidity problems were made public in December 1993 – the resulting crisis was Germany's biggest post-war corporate disaster – its swap partners had been unwilling to continue their contracts.

Shareholders asked how the oil losses arose, why the supervisory board did not intervene earlier and how the contracts were run down.

"There is still a huge lack of clarity and a good deal of fog," said Mr Herbert Hansen, representing a small shareholders' group.

Auditors have put the oil losses at $1.1bn, with the withdrawal from refinery contracts with Castle Energy costing a further $500m.

Explaining how the company extricated itself from the loss-making US oil deals, Mr Schmitz said: "There was a lack of financial resources, Nymex [the New York Mercantile Exchange] wanted the positions reduced and the swap partners were no longer prepared to do business with Metallgesellschaft." He said neither the old nor the new management of the company had followed an outright liquidation strategy.

The crisis, caused by a fall in oil prices which led to a surge in margin payments and roll-over losses on futures contracts, resulted in the dismissal of Mr Heinz Schimmelbusch as chairman and Mr Meinhard Forster as finance director. Mr Schmitz repeated the conclusion of an auditors' report that Mr Schimmelbusch had neglected his duty by failing to curb the US oil risks.

Mr Schimmelbusch disputes this and is suing Metallgesellschaft, Deutsche Bank and Mr Schmitz for alleged defamation. Metallgesellschaft is suing Mr Schimmelbusch and Mr Forster over their role in the losses.

Banks, headed by Deutsche Bank and Dresdner bank, stepped in with a DM3.4bn ($2.43bn) rescue package in January last year.

Nestlé lifts net income to SFr3.25bn

By Ian Rodger in Basle

Nestlé, the world's largest foods group, said net income rose 12.6 per cent last year to SFr3.25bn ($2.79bn), due mainly to a SFr306m extraordinary gain on the sale of its cosmetics distribution subsidiaries to L'Oréal of France.

Excluding the gain, net income was up only 2 per cent.

Nestlé described the result as "all the more satisfactory" since sales were slightly down to SFr58.9bn last year.

It said that at constant exchange rates and excluding the extraordinary capital gain, net profit was up 10 per cent.

Directors said their recommended 6 per cent rise in the dividend to SFr26.50 took account of the extraordinary profit.

Nevertheless, the payout ratio would fall to 31.7 per cent from 32.7 per cent.

The group also published its figures in dollar terms, aimed at showing the distorting effect of the strong rise in the Swiss franc against the dollar last year.

In dollar terms, net profit was up 24.4 per cent to $2.4bn on sales ahead 9.4 per cent at $42.8bn.

Sales volume, excluding acquisitions and disinvestments, grew 2.3 per cent, mainly due to high rates of growth in Asian and Latin American markets.

Operating profit dropped 2.2 per cent to SFr6bn, resulting in a reduction of the operating margin to 10.6 per cent from 10.7 per cent.

Nestlé attributed the weakening to higher spending on advertising and promotions in Europe and the US. These measures allowed the group to maintain positions in markets affected by recession.

Sales in Swiss franc terms were down 2 per cent to SFr25.9bn in European countries and down 3 per cent to SFr20.3bn in the Americas. Operating profit in Europe was down 9.3 per cent to SFr2.3bn, but up 3.2 per cent in the Americas. Operating profit from other regions was up 2.6 per cent to SFr1.3bn.

Net debt at the end of 1994 stood at SFr6.6bn, well down from the SFr8bn at the end of 1993, due mainly to the proceeds from the sales to L'Oréal.

Profits climb 50% to DM1.5bn at Veba

By Judy Dempsey in Bonn

Veba, the German chemical and energy group which is expanding into the telecommunications market, yesterday announced a 50 per cent rise in profits for 1994.

Profits rose to DM1.5bn ($1.06bn) from DM1.01bn last time, on sales climbed to DM71bn from DM66.3bn. Sales are forecast to reach DM75bn this year.

In the trade, transport and services division, Veba's net profit rose to DM436m from DM415m the previous year, with sales up to DM29.7bn from DM29.3bn. A rise in coal trading helped offset the fall in transport activities, the group said.

Sales in the energy sector, run by the electricity division PreussenElektra, rose sharply to DM15.6bn from DM12.3bn. This helped boost the division's profits to DM833m from DM882m. Sales in the oil division also rose, to DM15.4bn from DM14.6bn

Veba also reported strong sales in telecommunications, in spite of its recent entry into the market. Turnover totalled DM109m, although the sector incurred a net loss of DM17m.

The group expects stronger sales and profits for 1995, following its decision last January to acquire a 10.5 per cent stake in Cable & Wireless, the British telecoms company. C&W has, in turn, taken a 45 per cent in Vebacom, a communications subsidiary of Veba. The two companies plan a joint venture, Cable & Wireless Europe, in a bid to strengthen their activities across the continent.

In a bid to broaden its share-owning structure, Mr Ulrich Hartmann, chairman, said he would recommend reducing the nominal value of its shares to DM5, through a 10:1 stock split. This follows a decision last year by the German government to promote equity investment through encouraging reduced per-share prices.

Loan doubts take edge off BCP takeover celebrations

Banco Comercial Português, founded on meagre resources less than a decade ago, will today assume control of Portugal's largest commercial banking group when the overwhelming success of its Es308bn ($2.1bn) bid for Banco Português do Atlântico is confirmed at a special session of the Lisbon stock exchange.

BCP said yesterday more than 98 per cent of BPA shareholders were thought to have accepted the offer of Es2,800 a share, made jointly by BCP and Império, Portugal's largest insurance group. BPA shares closed at Es2,720 on Wednesday, when they last traded, up from Es2,210 when the bid was launched in January.

Control of BPA, the second largest bank, crowns nine years of mercurial growth for BCP. It establishes the bank as the dominant force not only in Portugal's retail banking sector, but also in insurance and other financial service areas.

"This acquisition is a natural outcome of the plans for substantial growth over the long term that BCP laid from the very beginning," BCP said yesterday. "It means we can now start making long-term plans for BPA."

BCP, previously the fifth-ranked bank, now controls 23.3 per cent of total banking assets in Portugal, exceeded only by Caixa Geral de Depósitos, the state-owned savings and mortgage bank, with 24.5 per cent. Consolidating the insurance assets of BCP and BPA will also place BCP ahead of Império as the biggest insurance group.

BCP said yesterday it planned to maintain the culture, branch network and brand image of BPA, but would seek to rationalise information systems and back-office operations within the BCP/BPA group.

The acquisition would reduce BCP's solvency ratio from about 15 per cent to 10 per cent. However, a capital increase would not be required in 1995, the bank said.

Analysts are optimistic BCP's proven management capability will improve BPA's profitability over the medium term. However, they express concern over the short-term impact on BCP's balance sheet. They worry about the managerial challenges and financial costs of restructuring BPA, a bank perceived to have lacked management focus and sound financial controls.

How the banks compare June 1994 (Es bn)

	BCP	BPA
Assets	2,052	3,485
Loans	835	1,350
Customer deposits	1,303	2,099
Shareholder equity	166	133
Branches	316	505
Employees*	4,066	5,303
Market share (%)		
Customer deposits	9	14
Branches	9	15

Source: BCP; *1993 source, The Banker

"This is a positive acquisition for the sector over the long term. Consolidations of this kind were inevitable in Portugal, and BCP is the best bank to improve the management of BPA," said Mr Paulo de Araujo, a London-based analyst with Schroder Securities. "But I think BCP will be moving in fairly troubled waters for the next 18 months."

The success of the bid, made after the government rejected a BCP offer of Es3,000 a share for 40 per cent of BPA last year, confirmed that 13 Portuguese companies (the core BPA shareholders together own 28.9 per cent) had almost all resolved to accept the offer after initially resisting the bid.

French insurance companies Caisse National de Prevoyance and Mutuelles du Mans, as well as Brazil's Banco Económico, which each held 2.5 per cent of BPA, also sold.

The government had earlier agreed to sell the state's remaining 24.4 per cent holding in the offer, completing the privatisation of BPA in a move strongly contested by the conglomerate Sonae, leader of the core group. Under the terms of the bid, BCP will acquire 50.0001 per cent of BPA, with Império taking all the other shares offered for sale. However, BCP suggested yesterday that BPA's assets would be subsequently broken up, reducing Império's holdings mainly to control of União de Bancos Portugueses – a small retail bank 60 per cent-owned by BPA – and extending BCP ownership of BPA.

As a result of the success of their offer for BPA, BCP and Império are committed to making an Es11.6bn bid for a further 31 per cent of UBP. Império's objective is to acquire UBP as a branch network for cross-selling banking and insurance products. BCP, however, will retain BPA's insurance assets.

In response to market concerns over Império's financial capacity to acquire about 48 per cent of BPA, BCP said a financing package had been assured by BCP and Banco Cisf, the BCP group's investment bank. BCP shareholders have authorised the bank to issue up to Es50bn of subordinated debt in 1995.

BCP said Mr Jorge Jardim Gonçalves, BCP president, along with another BCP director, were to be co-opted to the BPA board. This would pave the way for the election of Mr Jardim Gonçalves as the new BPA president at the general meeting of the new shareholders in April. He was president of BPA until 1985.

Professional investors have expressed concern over what skeletons may be found in the BPA cupboard after BCP, which has had access only to BPA's public accounts, takes over. They fear BPA may have a higher level of non-performing loans and unprofitable assets than shown in its accounts. "There may be some unpleasant surprises. But BCP has clearly drawn up worst-case scenarios and have a pretty clear idea off what they are going to find," said Mr Diego Hernando Ortega, head of research for Lisbon brokers Midas.

Peter Wise

BAT steps up pressure on ITC chairman

By Mark Nicholson in New Delhi

BAT Industries yesterday raised the stakes in its bid to oust Mr Krishan Lal Chugh as chairman of ITC, the Indian tobacco, paper and finance group of which the UK-based group holds 31.5 per cent. It said it would refuse to back the Indian group's diversification plans until and unless Mr Chugh resigned.

In a day of acrimonious exchanges on the eve of ITC's extraordinary general meeting in Calcutta today, Mr Chugh stoutly refused BAT's call to resign, while the UK-based tobacco and financial services group, which is ITC's biggest single shareholder, said it could not back ITC's diversification plans under a chairman "who has completely lost BAT's confidence".

Today's meeting will bring to a head a long-running and increasingly personalised row between BAT and Mr Chugh in which the British group has accused the ITC chairman of questionable management practices and strategic decisions, with Mr Chugh claiming BAT is intent on stifling his plans to turn the group into a diversified Indian multinational.

The egm, to be followed by a board meeting, was called last month to approve amendments to ITC's articles of association enabling it to enter India's deregulated power industry – a change which would require the backing of 75 per cent of the shareholders.

However, a statement from Mr Martin Broughton, BAT chief executive, to be read in Calcutta this morning will say the UK company has decided "ITC should not undertake these new businesses while Mr Chugh remains in charge".

It accuses Mr Chugh of an "alarming" departure from professional standards of management and says BAT has "good reasons" for questioning his management abilities.

Mr Broughton added that BAT has supported ITC's diversification from its core tobacco business into hotels, edible oils and financial services and "still supports in principle" a move into the power industry, which it said it would back under a new chairman "who should be appointed from within the existing management team at ITC".

According to an official close to the row, BAT will today present a "bulky dossier of complaints against Mr Chugh" both to the embattled chairman and to the state-owned financial institutions which together hold 38 per cent of ITC – comprising the only other block holding in the group.

BAT called for Mr Chugh's resignation on Wednesday, citing "recently discovered financial irregularities" and accusing the ITC chairman of breaching board confidentiality.

However, Mr Chugh accused BAT of levelling "baseless charges of financial irregularities" and using "all dubious methods" to destabilise ITC and prevent "the aspiration of an Indian multinational to grow and prosper, keeping its Indian identity".

The ITC chairman also claimed he had the "full support" of the Indian financial institutions, spokesmen for which yesterday said only that they were "discussing" their position before today's gathering.

AT&T unit joins Korean venture

By Louise Kehoe in San Francisco

AT&T's Global Information Solutions computer division, formerly called NCR, is to share advanced technology with a South Korean government and business consortium. AT&T said it expected revenues of up to $1bn from the deal over the next five years.

The Korean consortium includes Samsung Electronics, Hyundai Electronics Industries and the Seoul National University's Research Institute of Advanced Computer Technology, which represents Korea's ministry of trade, industry and energy.

AT&T GIS will exchange technology and work with the consortium to sell massively parallel large-scale computer systems in Korea and other countries in Asia, and eastern Europe.

The renewable five-year agreement was in response to RIACT's search for a technology partner to help deploy MPP systems in Korea and elsewhere throughout Asia and eastern Europe.

Under its terms, AT&T will transfer technology, manufacturing and marketing know-how to the consortium.

After one year, the Koreans will begin manufacturing computers based on AT&T technologies, paying royalties to AT&T.

Air Liquide president to step down

By David Buchan in Paris

Mr Edouard de Royère is stepping down as president of Air Liquide in May in favour of his number two, Mr Alain Joly. The announcement was made as the industrial gases group reported a 10.2 per cent increase in profits for last year.

Mr de Royère, 62, whose term had two years to run, said he was stepping down after 10 years at the head of the world's leader in industrial gases to give an experienced insider like Mr Joly a chance at the helm.

The improvement in profits, after three years of stagnation, made it possible for him to step down early, Mr Royère said.

On turnover which rose 4.5 per cent to FFr31.75bn ($6.4bn), group net profits increased to FFr2.45bn last year from FFr2.23bn in 1993. Cash flow was FFr5.47bn, or 17 per cent of turnover.

Mr Joly, 57, will only be the fourth president since the company was founded in 1906. Although he is younger than Mr de Royère, he has been with Air Liquide longer, having joined the group in 1962.

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Kaufhof names Odewald deputy as new chairman

Mr Wolfgang Urban (left) is to replace Mr Jens Odewald, one of the best known figures in German retailing, as chairman of Kaufhof, Reuter reports from Frankfurt. Mr Urban, 49, who is currently deputy chairman of the company, will take over control of Germany's second-largest retailer on April 1. Mr Odewald, who announced his resignation on Wednesday, said he would leave the company on March 31.

Analysts said on Wednesday that they expected Mr Urban to be a top contender for the position.

Alcan Australia 'slightly ahead of budget'

Alcan Australia, the aluminium smelting and metal fabrication group, said yesterday results for the first two months of the current year had been "strong" and "slightly ahead of budget", writes Nikki Tait. Mr Jeremy Davis, chairman, told shareholders that while the downstream businesses had seen some softening in demand, he believed firm aluminium prices were in sight.

Mr Davis said the company would consider the resumption of an interim dividend. It has already paid a final dividend for 1994, the first payout since 1991.

Eltin to sell stake in last French gold mine

Eltin, the Western Australia mining contractor, is to sell its 51 per cent stake in the Mines d'Or Salsigne, the last remaining gold mine in France, for US$35m, writes Nikki Tait. The buyer is Coeur d'Alene Mines, the Idaho-based gold and silver producer, which has operations in North America, New Zealand and Chile.

However, Orion Resources, Eltin's partner in the MOS venture with the remaining 49 per cent, said it had no plans to sell its stake.

In the light of yesterday's sale, Eltin said it would book a pre-tax profit of between A$22m (US$15.96m) and A$25m on the transaction. Its shares moved 21 cents higher to A$3.30 on the news.

Bertelsmann and Canal Plus in film venture

Bertelsmann, the German media and publishing group, and Canal Plus, the French television network, have stepped up their co-operation by forming a joint venture to market films worldwide, writes Judy Dempsey in Bonn. The two already partly own Vox, the German television channel.

The move by Bertelsmann, the world's second largest publishing group, is intended to tap the increasing demand for entertainment products at a time when an increasing number of new television networks is entering the European market. The new company would work on a "product-by-product" basis, instead of marketing world rights, a spokeswoman for Canal Plus said.

The establishment of the new company follows Bertelsmann's recent decision to form a joint venture with America Online, the fastest growing US multimedia service with about 2m subscribers. It also coincides with a debate within Germany on reform of the media law, which would prescribe the maximum stake an individual can hold in a private television channel.

SA bank to take over retail sales company

First National Bank of South Africa has announced that it will take over Firstpref Retail Sales, a five-year-old joint venture with local retail group McCarthy Retail, and turn it into a wholly owned subsidiary dedicated to financing the sales of furniture, domestic appliances and building supplies, writes Mark Suzman.

Mr Peter Thompson, senior general manager at FNB, said the move was prompted by the bank's need to seek new areas to develop asset growth given the maturity of most sectors in South Africa's retail banking market.

Although the full terms of the deal were not released, Mr Terry Rosenberg, McCarthy Retail chief executive, said Firstpref would take over the entire debt of McCarthy's 350-store Furniture Division, currently valued at more than R1bn ($276m). This will have the effect of removing R420m of the R495m in interest-bearing debt currently on McCarthy's balance sheet.

Novus Petroleum set for flotation

Novus Petroleum, the newly-formed Australian oil company, announced yesterday that it had lodged its flotation prospectus with the Australian Securities Commission, and secured the services of Mr Philip Vingoe, currently BP Exploration's technology director based in London, writes Nikki Tait.

Mr Vingoe will be responsible for the selection of exploration areas, as well as the development of technology to support investments. Mr Bob Williams, Novus managing director, was also formerly with BP and, more recently, Oil Search.

Novus is planning to raise A$157.5m (US$114.27m) through a flotation of 105m shares at A$1.50 each, with ANZ McCaughan underwriting the issue.

The yet-to-be-listed company has already agreed to buy UK-based Monument Oil & Gas's Australian unit for US$41.5m, assuming the float goes ahead successfully.

MCI and PBS in deal

MCI Communications and the US Public Broadcasting Service said yesterday they had reached an agreement to provide PBS programming via MCI's on-line service and develop CD-Rom based media services, Reuter reports from Washington.

MCI, the second-biggest long-distance telephone company in the US, has committed a minimum of $15m to the venture over the first five years, with the potential for a substantially greater investment, it said.

PBS is a private, non-profit corporation owned by the nation's public television stations.

Hutchison Whampoa ahead 27%

By Simon Holberton in Hong Kong

Hutchison Whampoa, the diversified Hong Kong conglomerate controlled by Mr Li Ka-shing, yesterday produced an annual result broadly in line with expectations when it reported a 27 per cent increase in net profits to HK$8bn (US$1.03bn) for the year to end-December, compared with HK$6.3bn in 1993.

Earnings per share were up 24 per cent to HK$2.22, compared with 25.6 per cent growth forecast by analysts. Directors declared a final dividend of 0.67 cents a share, making 93 cents for the year – a rise of 36.8 per cent over the previous 12 months.

Profit was struck on a 21.9 per cent rise in turnover to HK$30.1bn from HK$24.7bn.

Mr Li, chairman, said the company's focus on its core businesses was reflected in a further improvement in the quality of earnings last year.

He said this, as well as Hutchison's sound financial base, would enable the company, in the current "challenging market conditions", to face the future with confidence.

Mr Li said that Hutchison was largely immune to the downturn in Hong Kong's property market last year.

Its main housing projects, South Horizons and Laguna City, remained popular with the public, while the company continued to earn good rents from its investment properties.

"The current market conditions could now provide more attractive opportunities than in the previous two years for the group to replenish its land bank," he said.

Mr Li said Hutchison's container port operator, Hongkong International Terminals, had another good year with throughput rising 15 per cent. With the extension of the company's facilities last year its capacity at Kwai Chung is now in excess of 5m TEUs (20ft equivalent units).

Hutchison is the dominant provider of port services in southern China. Mr Li said the group's joint ventures in Shanghai and Yantian had made steady progress.

In an interview with the Financial Times earlier this week, Mr Li said the Shanghai container port last year processed 1m TEUs. "We put in new equipment and new management," he said. "Throughput grew by more than 35 per cent last year, and I think it will grow by 35 per cent compound growth this year and next."

He said the Yantian port, to the north of Hong Kong, would become a leading port in south China. He estimated that plans for its expansion would require investment of up to HK$8bn in the coming years.

Yesterday, Mr Li said Hutchison would maintain its programme of "controlled expansion" in China "where activities have been broadened and strengthened during the year".

Analysts said that they were surprised by the detail Hutchison provided of its UK telecommunications operation, Orange. Mr Li said it had exceeded expectations; it currently has 130,000 subscribers and continues to grow rapidly.

"Orange's losses being incurred as it builds up its country-wide network should be considered as a strategic investment for the future profitability of this new business venture," he said.

Cheung Kong held back by downturn in property market

By Simon Holberton

Cheung Kong, Mr Li Ka-shing's flagship property development and investment company, yesterday disappointed the Hong Kong stock market with a 3.4 per cent advance in net profit to HK$10.1bn (US$1.3bn) from HK$9.78bn in the year to the end of December.

Like many of Hong Kong's property developers, or house builders, which have reported recently, Mr Li blamed the downturn in the colony's property market for the poorer-than-expected performance of his company. Cheung Kong's earnings per share were up 3.3 per cent at HK$4.60 against a market estimate of a 10.7 per cent gain.

Directors declared a final dividend of 83 cents a share which, making HK$1.10 for the year, an increase of 10 per cent over 1993.

Turnover of HK$14.8bn compared with HK$10.69bn a year earlier. Analysts said it had always been unlikely that Cheung Kong could have produced a result similar to that in 1993, when profits increased more than 30 per cent on rising property and stock markets.

Mr Li said he believed that the fortunes of the property market in Hong Kong, especially the residential sector, would improve in the foreseeable future.

He said that the company had various projects in Hong Kong which are scheduled to be completed between 1996 and 1999. They will improve the company's cash flow "still further and show good returns," he said.

Mr Li said Cheung Kong's investments in China were progressing smoothly and according to plan. Some had already begun to show a return in the past year and that the company would reap the full benefit of the investments in 1997 and 1998.

The company is an investor in mainland Chinese power station projects, although it declines to put a figure on its involvement.

It also is involved in a number of large property developments, most notably Oriental Plaza in Beijing.

Coles Myer wins approval for Kmart share sale

By Nikki Tait in Sydney

Coles Myer, Australia's biggest retailer, yesterday won support from its shareholders for the disposal plan for the last tranche of shares bought back from Kmart in US last year.

The company said that more than 99.9 per cent of shareholders voted in favour of the capital reduction plan, which will see the number of shares in the company reduced by 95.6m – about 8.23 per cent of the issued equity.

A further 21.6m shares are being distributed to shareholders, on a one-for-50 basis, and AMP, the Australian life office, is acquiring a stake involving a further 30.55m shares.

Real Africa Investments secures JSE listing

By Mark Suzman in Johannesburg

Real Africa Investments, the black-owned South African conglomerate headed by Mr Don Ncube, the former Anglo-American Corporation executive, has listed on the Johannesburg Stock Exchange.

One of the aims of the group is to broaden the base of black shareholding in South Africa. Among its leading shareholders are the South African Clothing and Textile Workers Union investment arm, mine and metal workers' provident funds, and various church groups.

The company joins New Africa Investments, led by Dr Nthato Motlana, as the second large black-controlled group to list on the JSE in the past year.

Real Africa's main assets are controlled through 51 per cent-owned subsidiary Real Africa Holdings, listed separately this week. It has a 51 per cent stake in life assurer African Life; a controlling 13 per cent share of fishing and storage company Oceana; 20 per cent of investment group NSA; and a small stake in cellular telephone network MTN.

Before the listing, Real Africa Holdings had raised R200m ($55.34m) – including a R119m placement to institutional investors – to fund its outstanding commitments.

The group already has R76m in cash and is looking for investments in areas such as telecommunications, tourism and healthcare.

The opening price on Wednesday was R2.70, since when trading has been subdued.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.03.95: Pool purchase price £/MWh	Final Prices for Trading on 24.02.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.79	8.80	8.80
0100	8.90	8.94	8.94
0130	11.53	8.98	8.98
0200	11.63	8.98	8.98
0230	8.90	8.94	8.94
0300	8.90	8.95	8.95
0330	8.80	8.85	8.85
0400	8.79	8.77	8.77
0430	8.17	8.80	8.80
0500	8.15	8.77	8.77
0530	8.77	8.93	8.93
0600	8.75	8.89	8.89
0630	8.75	8.80	8.80
0700	8.79	9.06	9.06
0730	8.03	9.38	10.00
0800	8.06	10.23	10.86
0830	14.77	11.10	11.74
0900	10.48	11.61	12.20
0930	11.09	15.84	16.57
1000	11.11	15.93	16.68
1030	11.09	15.90	16.64
1100	14.91	15.87	16.61
1130	11.06	15.85	16.58
1200	11.05	15.86	16.59
1230	10.99	15.78	16.49
1300	10.92	15.68	16.36
1330	10.08	11.36	12.00
1400	8.04	9.14	9.14
1430	8.90	9.08	9.08
1500	8.89	9.07	9.07
1530	8.89	9.07	9.07
1600	6.80	9.06	9.06
1630	8.80	9.07	9.07
1700	15.80	9.12	9.12
1730	8.91	9.42	9.42
1800	22.52	25.47	26.63
1830	8.12	26.39	27.79
1900	10.36	26.35	27.72
1930	11.27	25.00	26.00
2000	11.21	12.09	12.72
2030	10.81	10.24	10.87
2100	9.98	10.22	10.84
2130	14.69	10.22	10.84
2200	8.78	10.22	10.84
2230	15.79	9.00	9.00
2300	8.79	8.89	8.89
2330	15.79	8.79	8.79
2400	8.17	8.80	8.80

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 4789 between 8:30am and 5:15pm Monday to Friday.

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New name suggested to reflect changes in activities

United Newspapers static

By Raymond Snoddy

United Newspapers, publisher of the Daily and Sunday Express, is proposing to drop the word "newspapers" from the title of the company.

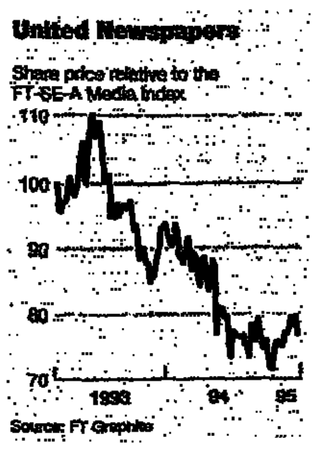
The symbolic move, changing the name to United News and Media is designed to reflect the breadth and growing international nature of the interests of United, which became a publicly quoted newspaper group in 1925.

United also announced static 1994 pre-tax profits of £138m, against £137.7m, which included an exceptional profit of £19.6m, on turnover up 12 per cent at £1.01bn.

"The name is not a reflection of how we are trying to manage and develop the company," said Mr Graham Wilson, managing director. Newspapers, primarily based in the UK, would remain "a core business". Last year they represented 42 per cent of operating profit.

Much of the company's growth is derived from business magazines and exhibitions. Electronic publishing and distribution is also becoming more important.

United executives know that, in the UK, the company will probably continue to be best known for its national newspapers, which make more than £30m in profit a year. They regard the name change as at least a step in the direction of trying to change perceptions.



Mr Derek Terrington, media analyst at Kleinwort Benson, said yesterday: "I think that underneath the cosmetics there has been an very serious attempt to almost re-engineer the business."

Advertising periodicals, magazines and exhibitions and media services had achieved substantial profit rises. Regional newspaper interests had showed a slight increase after investment.

Advertising revenues in the national newspapers rose by 7 per cent, but circulation was hit by price wars. Circulation stabilised in the second half after dropping by 8.8 per cent in the first six months.

During the year the company spent £153m on acquisitions, mainly Harmon Homes in the US, Hong Kong International Trade Fair and Visual Communications Group.

Eurotunnel denies need for new cash call

By Charles Batchelor, Transport Correspondent

Eurotunnel moved yesterday to quell speculation that it would be forced soon to make a further share issue, but failed to dampen suggestions that its banks were imposing tougher loan conditions.

The company announced that "the conditions for draw-down from existing facilities have been agreed between Eurotunnel and the agent banks and are currently awaiting approval by the lending banks. They do not involve any issue of shares."

While excluding the immediate likelihood of a further share issue, this statement left open the possibility that the conditions of the £693m loan agreed last May may have been changed to reflect Eurotunnel's failure to meet its performance targets.

It also leaves open the possibility that the 200 lending banks might not go along with the proposals put forward by the four-strong team of agent banks. Eurotunnel said it expected to report the outcome of the talks with its preliminary results on April 10.

Other possibilities include the banks increasing their interest charges or extending the period of draw-down.

Even if the conditions of the loans have not changed, it is possible that Eurotunnel may be asking its banks for waivers on some of the conditions of the loans because of delays in the start-up process, sources close to the company said.

Eurotunnel was forced into making a statement by market reports that its bankers had been willing to allow it to draw down only half of the loan amount agreed last year.

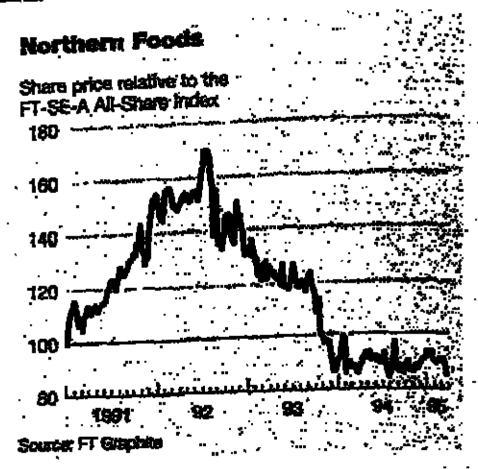
LEX COMMENT

Northern Foods

The scale of the restructuring at Northern Foods is big by any standards: the workforce is to shrink by 13 per cent and the £91m provision amounts to nearly 20 per cent of shareholders' funds and 8 per cent of the group's market capitalisation. But the danger is that even this sweeping rationalisation will not prove extensive enough.

The group may turn out to be unduly optimistic about the high margin doorstep delivery segment of the dairy market. It assumes that the steep decline in this business will somehow come to a halt in 1997, stabilising at around 30 per cent of the market, under half the share in 1992. But it is difficult to see how the move towards cheap supermarket milk – low margin commodity business for Northern – will stop there. In prepared foods, the rationalisation announced yesterday was costlier than expected, but will be concentrated on the corner shop market. However, 60 per cent of Northern's total food business is conducted with just three supermarkets. And margin pressure here is set to intensify so long as the food retailing sector remains in the grip of fierce price competition.

Northern is not financially stretched: gearing will not rise as a result of the restructuring and it will be able to maintain its dividend in 1995-96. But given the gloomy trading outlook the shares are overvalued on a prospective multiple in line with that of the market. Its prospective yield should rise from 5.6 per cent to the 6 per cent offered by the shares of rival Unigate.



Dresser buys N Sea Assets

North Sea Assets, the small oil services company, yesterday acknowledged the difficulties of going it alone in a rapidly consolidating industry and recommended a £19m ($31m) cash offer from Dresser Industries, the Dallas-based energy resources company, writes Peggy Hollinger.

Almost a third of shareholders have accepted the 34p a share offer.

North Sea Assets provides services to oil companies and has a strong position in the provision of underwater intervention in the southern region of the North Sea. Mr Parker said this complemented Dresser's strength in the northern region.

North Sea also announced a sharp drop in pre-tax profits from £1.95m to £279,000 on sales 10 per cent lower at £26.5m for 1994. The profit was struck after a £3.6m gain on disposals and a £3.2m charge for restructuring.

Conditions put on Cook buy

Mr Michael Heseltine, the trade and industry secretary, yesterday imposed a series of conditions on Thomas Cook Group's acquisition of the travellers cheques business of Barclays Bank, writes Scheherazade Daneshkhu.

The travel company's purchase of Interpayment Services, completed in November, gave it a 49 per cent share of the UK travellers cheque market, ahead of American Express with 40 per cent.

Thomas Cook said that it would co-operate fully with the Office of Fair Trading.

The stipulations include:

- maintaining MasterCard and Visa as separately branded products and retaining ISL as the sole issuer's name on Visa travellers cheques;
- not entering into a new agreement with MasterCard after the current one expires on December 31 1997 requiring a particular proportion of cheques issued to be MasterCard;
- taking a number of steps to ensure that sales agents who see Thomas Cook as a competitor are protected from information about their customers or business being passed to Cook's retail travel business.

Thomas Cook is the world's largest issuer of MasterCard travellers' cheques, and the acquisition of ISL makes it the biggest issuer of Visa travellers cheques as well. American Express cheques lead the world market with a 45 per cent share.

Exports fuel Hepworth rise

By Patrick Harverson

Buoyed by strong exports to Europe, pre-tax profits at Hepworth jumped from £58.3m to £75.5m in 1994, but the building materials and boiler group's results were flattered by a reduction in financing costs.

In the UK operating profits rose to £42.1m (£39.2m) on turnover of £412.4m (£378.5m). The highlight was export sales from the UK, especially to the Continent and east Asia, which rose 13 per cent to £83.9m.

Building products profits rose only marginally to £20.7m (£20.1m), with an improved contribution from domestic clay, plastics and concrete drainage sales offset by weakness in the German drainage market and the cost of starting up a new UK kiln.

The home products division saw profits rise to £12.9m (£11.7m), but the best performance came from Saunier Duval, the French boiler division, which produced a 17 per cent rise in profits to £29.4m. The refractories business, however, remained weak due to overcapacity worldwide, and profits fell to £4.8m (£6.5m).

Abbey National launches ADRs

By Alison Smith

Abbey National, the UK home loans and banking group, is today taking the first step towards a listing on the New York Stock Exchange with the launch of an American Depositary Receipt programme.

The facility, which is being arranged through the Bank of New York, will enable US investors to buy Abbey National shares in dollars, through certificates. The programme should enable Abbey to reach about 80 per cent of US fund managers.

Abbey will decide in about a year's time whether to press ahead and take the next step, of being listed on the Exchange, so that its shares become available to private investors as well. This would involve the commitment of greater resources than this first stage, which can be achieved at low cost.

The group said the current move would give it greater access to a wider shareholding public.

While several large UK companies which are listed in New York might well have up to 10 per cent of their shares held in the US, Abbey has less than 2 per cent held by US investors.

The programme should also raise its profile in the US more generally in a way that should be helpful in raising funds on the capital markets.

Spirax-Sarco rises to £34.6m

Spirax-Sarco, the steam equipment specialist, reported a 30 per cent rise in pre-tax profits from £26.7m to £34.6m ($57m) for 1994, as recovery in its European markets was supplemented by improved margins, writes Christopher Price.

Only a slight improvement in turnover was seen in the UK. However, business had begun to improve in the first two months of 1995. Germany, which was a tough market during 1994, was also showing signs of recovery. And the loss-making Brazilian operations, which had been expected to worsen, turned in operating profits of £1.8m.

There was also a first full-year of contribution from Spirax-Jucker, the Italian steam parts group bought in May 1993. Other strong showings were experienced in the French, Scandinavian and Spanish markets.

Rentokil expands

Rentokil, the property services group, has announced a series of acquisitions in the US, Canada and Australia, representing an investment of £3m ($5m). These comprise its first new addition to its US security business, acquired last year, four purchases in the tropical plants field, and a pest control business.

These were relatively small acquisitions, said Mr Clive Thompson, Rentokil's chief executive, but the acquisition for $1.3m (£800,000) of Baltimore-based Security America Services was an important first step in beginning to expand the group's US security arm.

Nelson Hurst

Strong performances in Asian and Latin American markets helped Nelson Hurst, the insurance broker, lift 1994 pre-tax profits by 67 per cent from £5.31m to £8.89m in its first year as a public company.

The middle east and east Asian activities reported particularly strong results, with 28 per cent growth in brokerage. The retail business also performed well, pushing brokerage ahead by 17 per cent, principally because the company made Price Forbes Group, its joint venture in South Africa, a full partner in the UK retail operations.

Barings BV hearing to resume

A Dutch court will resume hearings on April 5 on a petition by a group of Barings BV bondholders to liquidate the Dutch subsidiary of the collapsed UK merchant bank.

Their action, which started in the Dutch high court last Thursday, was adjourned on Tuesday for procedural reasons. Sources said one of the reasons was that the judge wanted to make sure that the Dutch central bank was aware that a Dutch financial institution was in difficulties before he proceeded.

The sources said that on Tuesday, lawyers acting for the bondholders demonstrated that Barings BV was insolvent. They said the bondholders could get approval to wind up the company on April 5 though they added the judge could adjourn the case once again until April 12 when petitions from individual bondholders are scheduled to be heard.

Meanwhile, the holders of a 1986 bond are believed to have begun proceedings in the UK to see whether the flip, which switches liabilities for payment of creditors to Barings plc if Barings BV goes into liquidation, clause is valid.

Northern Foods blames milk shake-up for job losses

By Deborah Hargreaves and John Mason

Northern Foods, one of the UK's biggest dairy companies, is shedding 2,200 jobs. Mr Chris Haskins, chairman, warned that 1994-95 pre-tax profits would fall by 25 per cent to £118m after a restructuring charge of £91m.

The company's shares dropped 8p to 197p as the City expressed surprise at the extent of the rationalisation.

The company said it would maintain its dividend at 8.8p with an unchanged final of 5.3p.

The cuts come on top of 1,250 redundancies previously announced and will be divided equally between the dairy and prepared foods operations.

Mr Haskins blamed the supermarket price war which has seen many retailers selling milk at below cost and the deregulation of the milk market in England and Wales which has resulted in higher milk wholesale costs.

The company said doorstep sales of milk accounted for 60 per cent of the overall market in 1990 but had dropped to 45 per cent today. Mr Haskins expected doorstep deliveries to fall to 30 per cent by 1997.

He said last November's liberalisation of the milk market was "deeply flawed", and had led to an annual increase of £45m in the price the company paid for milk from farmers.

The Dairy Industry Federation, the dairies' trade body, has complained to the Office of Fair Trading and the European Commission about the milk market situation.

Milk Marque, the farmers' co-operative which succeeded the Milk Marketing Board, has gained a monopoly over supply in England and Wales which the dairies say it is abusing by forcing prices higher.

But Mr William Waldegrave, the agriculture minister, blamed poor management at Northern for the job losses. During Commons questions, he accused the company of trying to bid up the milk market and then failing to find buyers.

Mr Haskins said the restructuring was in response to long-term structural changes in retailing and would leave it in better shape with a low-cost base to compete.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
APV	Yr to Dec 31	874.6	(906)	18.2L♠	(13.4♠)	8.3L	(0.9)	1.7	July 3	3.4	2.7	5.4
Aspen Comms	Yr to Dec 31	89.9	(64.2)	2.5	(0.16)	11.5	(2.5L)	3.2	June 16	2.9	5.35	4.9
Baird (William)	Yr to Dec 31	534.3	(522.6)	25.1	(19.6♠)	14.8	(10.9)	5.8	July 6	5.35	9.35	8.9
Bilston & Battersea §	Yr to Dec 31	5.85	(4.53)	0.217	(0.233L)	1.8	(3.5L)	nil	-	nil	nil	nil
Biotrace Intl	13½ mths to Dec 31■	3.65	(2.22)	0.194L♠	(0.316)	0.85L	(-)	-	-	-	-	-
Bridon	Yr to Dec 31	293.3	(315.7☆)	10.1♥	(22.7L♠)	16.2	(39.9L)	2.75	July 7	2.75	4	4
British-Borneo	Yr to Dec 31	31.9	(28)	11.4	(8.95)	21.09	(19.33)	4.833	May 24	4.433	7.5	7.1
Cattle's	Yr to Dec 31	230.1	(217.2)	16.7♠	(15.8)	8.7	(9.5)	3.6†	May 26	3.1	5.75	5
Dowding & Mills	6 mths to Dec 31	49	(45)	4.24	(3.34)	1.72	(1.37)	1	May 11	0.94	-	2.56
Evans Halshaw	Yr to Dec 31	668.7	(404.7)	13.5	(7.81)	34.2	(23.8)	10†	May 19	9.2	15	13
Gleeson (MJ)	6 mths to Dec 31	84.9	(79.6)	3.24	(4.1)	21.34	(27.06)	3.55	June 30	3.35	-	14.16
Global	Yr to Dec 31	92.9	(81.2)	2.13	(1.91)	1.17	(1.1)	0.325	May 24	0.3	0.525	0.5
Guinness	Yr to Dec 31	4,690	(4,663)	915	(702♠)	31.8	(22.9)	9.9	May 23	9.18	13.8	12.8
Hepworth	Yr to Dec 31	695.9	(654.7)	75.5	(58.3♠)	21.6	(19.2)	9.35	July 14	9.35	14.85	14.85
Laing (John)	Yr to Dec 31	1,161	(1,229)	23.8	(18.3)	17	(15)	6	June 9	6	9	9
Manders	Yr to Dec 31	117.9	(112.3)	23.9♥	(10.3)	41.09	(18.99)	8.1	June 5	7.1	11	10
Manganese Bronze	6 mths to Jan 31	41	(38.9)	1.97	(1.27)	7.25	(5.01)	2	May 5	1.5	-	4
Morrison (Wm)	Yr to Jan 29	1,779	(1,538)	116.1	(97.8)	9.91	(8.61)	0.96	May 26	0.8	1.2	1
MY Holdings	6 mths to Feb 25	35	(19.1)	3.24	(1.13)	2.11	(1.76)	0.6†	June 14	0.5	-	1.6
Nelson Hurst	Yr to Dec 31	41.5	(36.7)	8.89	(5.31)	12.9	(10.2)	4.4	May 16	-	6.6	-
North Sea Assets	Yr to Dec 31	26.5	(29.3)	0.279♥	(1.95)	0.07L	(2.76)	1.1		1.1	1.1	1.1
Perilex Oil	Yr to Dec 31	22.93	(24.06)	3.26‡	(4.11‡)	17	(21.5)	-	-	-	-	-
QSP	Yr to Dec 31	16.5	(13.3)	2.51	(0.553)	28.8	(7.3)	3.5	July 17	1.25	4.5	1.25
Richardsons W'garth	Yr to Dec 31	81.1	(87)	3.24	(2.52)	6.1	(4.8)	2.1†	May 26	1.9	3.4	3.1
Slough Estates	Yr to Dec 31	122.5★	(112.9★)	64	(53)	9.1	(7)	5	May 24	5	8.1	8.1
Specialeyes	Yr to Nov 26	20.4	(20.5)	0.79L	(0.49L)	5.09L	(3.19L)	nil	-	nil	nil	nil
Spirax-Sarco	Yr to Dec 31	217.9	(192.5)	34.6	(26.7)	27.9	(21.6)	8	June 12	3.3	11.5	9.9
Trafford Park Ests	6 mths to Dec 31	5.215	(4.984)	2.679	(2.443)	2.646	(2.413)	1	May 12	0.95	-	3.15
Travis Perkins	Yr to Dec 31	466.5	(347.7)	38.9♥	(20.5)	26.4	(13)	6.2	May 22	5.5	9	8
United Breweries §	Yr to Nov 30	5.3	(4.82)	1.02L♠	(8.57L♠)	1.26L	(10.65L)	-	-	-	-	-
United Newspapers	Yr to Dec 31	1,013	(908)	138	(137.7)	39.5	(44.9)	15.25	July 3	14.5	23	22
Wescol	6 mths to Jan 31	10.8	(8.2)	0.27	(0.03)	0.6	(0.1)	0.25	May 25	nil	-	0.25
Wightman	Yr to Dec 31	76.9	(72)	10.7	(10.7)	30.43	(30.76)	7.6	May 19	6.9	11.2	10.2
Wolstenholme Rink	Yr to Dec 31	65.6	(57)	6.12	(4.4)	52.4	(39.6)	12.9	May 17	11.2	20.7	18

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bankers								1.03‡	May 31	0.97	-	3.9
BG Japan	6 mths to Feb 28	596.3	(767.4⚘)	0.24L	(0.21L)	2.2L	(1.9L)	-	-	-	-	-
Dartmoor	9 mths to Jan 31	98.2	(126.7)	3.86	(2.57)	12.04	(10.72)	2.8Φ	June 1	2.7	-	11.6
Edinburgh Dragon	6 mths to Feb 28	99.87	(124.17)	0.962L	(0.215L)	0.364L	(0.082L)	-	-	-	-	-
Exeter Preferred	Yr to Jan 31	144	(194.2)	0.115	(0.159)	0.49	(0.68)	0.49	May 29	0.68	0.49	0.68
F&C US Smaller	6 mths to Dec 31	103.5	(109.2)	0.012L	(0.223□)	0.02L	(0.45)	-	-	-	-	-
IBS Optimum								2.15‡‡	May 5	1.95	-	7.6
Premium	6 mths to Feb 28	76.4	(97.5)	0.413	(0.076)	2.14	(0.4)	1	May 16	0.25	-	2

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ☆Comparatives restated. †On increased capital. §USM stock. ★Operating income. ■Comparatives pro forma for 12 months to December 31 1993. □Comparatives cover period from incorporation to December 31 1993. ‡First interim. ‡‡Third interim. ⚘At August 31. ‡Net of tax. ΦThird interim; makes 8.4p to date.

BANGLADESH

Friday March 24 1995

Engine of reform is delayed by politics

Businessmen are increasingly frustrated by the mounting political deadlock, which is jeopardising economic achievements, writes **Peter Montagnon**

Although more than 20 years have elapsed since Dr Henry Kissinger described their country as a basket case, Bangladeshis have never forgotten the slur. That makes the attention they are now receiving from regional stockbrokers particularly flattering.

"Investment boom in the making," *trumpets Crosby* Securities in its latest report. "New cat on the block," suggests First Capital Securities above a picture of a smiling tiger.

But stockbrokers have an *unfortunate habit of wishful* thinking. The euphoria which saw prices on the Dhaka stock exchange more than double last year rests on two assumptions. The first is that the economic reforms instituted by *the government* of Prime Minister Khaleda Zia are irreversible and will continue. The second is that there is no economic significance to the political crisis which has seen the opposition resign en masse from parliament and a debilitating succession of strikes. Both *assumptions are open to* doubt.

Economic growth in Bangladesh is still stuck at around 5 per cent and an investment ratio in the low teens is too low to finance the kind of double digit growth from which east Asia derives its prosperity. The risk is that *some of the* more overblown hopes will be disappointed. In the process, the undeniable progress wrought by reform to date may be overlooked.

Ask Mr Saifur Rahman, finance minister, what the government has achieved and he is quick to reel off a long list of successes.

Inflation has been brought down from 9 per cent when the government took office in 1991 to 2 per cent, though it has started to rise again recently in the wake of higher food prices. The current *account deficit has* fallen from 7 per cent of gross domestic product to 1.5 per cent and the budget deficit from 7.5 per cent to less than 5 per cent. *Latest* ministry estimates show that as much as 43 per cent of the government's development spending is financed from internal resources.

The economy has started to respond to reforms which include the introduction of *value added tax, liberalisation* of imports and convertibility of the taka on current account. Bangladesh's notoriously low savings rate has risen to 7.5 per cent from 3.5 per cent. That is a move in the right direction even if it is *still way below east* Asian levels.

With World Bank help the government has also launched a programme to slim down the country's *loss-making* jute industry. Interest rates have been *de-regulated* and *banking* reforms introduced to help protect banks against loan losses. The government has started to help the financial sector absorb the $2bn deadweight of bad loans to the jute industry, which amount *to over a third* of their total lending and drive up *their lending rates.*

At this point in the story the bulls become excited. Since both the two main political parties support the idea of reform, they argue, economic de-regulation should continue *regardless of the political crisis* provoked by the opposition's demand for fresh elections.

But it is hard to brush away the political crisis so lightly, even though it has been in the background throughout the reform period. Opposition parties have never accepted the 1991 elections. They want the *government of Mrs Khaleda* Zia to step down in favour of a non-partisan caretaker government that would oversee a new poll. The demand has grown ever more clamorous since a by-election last summer in the *western district of Magura.*

This should have been a safe seat for the opposition Awami League, but it was lost amid accusations of vote rigging. The chief election commissioner himself was quoted as *saying the atmosphere was not* conducive to free and fair elections. Subsequent mediation efforts by Sir Ninian Stephens, the former Australian governor general, failed to break the deadlock.

Not only has parliament been paralysed, first by the opposition boycott and then by its mass resignation. General strikes, which are the main form of protest, are growing more violent as the opposition *tries to push home its case.*

Many private-sector factories have continued to work through the regular strikes that have crippled the country, so it is hard *to argue that much output has* actually been lost. But the impact on the mood has been palpable, and the political crisis has given conservatives cover for resisting further reforms.

"The situation is not of our making," says Mr Rahman, the *finance minister and architect* of the reforms. "Yes, it is affecting the restructuring programme and the pace of privatisation. The unions are objecting to the sale of jute mills."

To end the uncertainty, businessmen would like new elections as soon as possible. "Political stability is an absolute *pre-requisite for growth,*" says Mr Salman Rahman, vice-chairman of the diversified Beximco group and president of the Federation of Chambers of Commerce and Industry.

"This parliament has effec*tively ceased to exist," he adds.* But elections would not normally be due till February next year. The government's willingness to bring them forward "really depends on whether the opposition is prepared to increase agitation in the streets."

But whether a new election really would lance the crisis is another matter. There are differences in outlook between the two main parties. The Awami *League* has always been more secular in its approach and better disposed towards *India than the ruling* Bangladesh Nationalist Party. But *the row is more about* personalities than politics.

Behind the dispute lies a history of extreme animosity between Mrs Khaleda Zia, and the leader of the Awami League, Mrs Sheikh Hasina. *And the history of that goes* back a long way too. The former is the widow of General Zia who came to power after the assassination of Mrs Hasina's father, General Mujib, the founder of Bangladesh in 1975. The ill-will between the two women is unlikely to abate, whoever wins a fresh election.

Beximco's Mr Rahman says the economic growth rate simply is not high enough to allow the benefits to trickle down and foster popular support for the reform. The difficulty, he says, is that the country needs *double digit growth before* people start to support reform, but only reform itself can produce that sort of growth.

Besides, many businessmen believe resistance to economic reform runs deep in the civil service. A rigorous privatisation policy would mean an end *to patronage and what economists* politely call rent-seeking in public administration. "The bureaucracy stands to lose if government-controlled corporations are divested tomorrow," says Mr Syed Rezaul Karim, *managing director of Hoechst* Bangladesh. "Civil servants can interpret the law any way they like," says Mr A Hasanat Khan of Bangladesh Oxygen.

In theory Bangladesh could grow much faster if it were to step up the pace of privatisation: completed divestments so far amount to only 18 units in *chemicals, steel, sugar, jute* and textiles.

Active participation of private capital in telecommunications and power would make a dramatic difference. So, according to World Bank officials, would *privatisation* of the state-owned banks. On top of that there might be rich pickings to come from the exploitation of the country's natural gas reserves.

That would yield a strong increase in foreign direct investment. Commitments *have been rising.* In the first six months of the current financial year (to end June) they exceeded the $457m pledged in the whole of the previous year, according to Mr Mohammed Haque, executive director of the Board of Investment. *But* the actual inflows of cash remain small.

Even without more radical economic reform, scope remains for economic development, particularly in the textile sector. It has become the largest exporter, but relies heavily on imported inputs. *Having learned to market its* garments, Bangladesh could derive more value from the industry were it to produce more threads, fabrics, buttons and zips.

That might help secure some additional prosperity, but it is no real alternative to the main challenge *facing* Bangladesh – to find a cadre of politicians and administrators with the determination and skill to be effective on the toughest part of the reform process.

Demonstrators on the line: thousands of people stranded in Dhaka by a road transport strike swamp a train in their bid to go home — Picture: Reuter

Foreign aid donors show signs of fatigue, writes **Peter Montagnon**

Switch to self-help

Aid donors to Bangladesh could be forgiven for asking whether their efforts are worthwhile. Despite years of dependency on foreign aid, the country remains desperately poor with per capita income this year estimated at only around $240.

Since secession from Pakistan in 1971, aid totalling an estimated $26bn has been pumped in. Disbursements are now running at some $1.7bn a year and new commitments are in excess of $2bn. Given its slow development progress Bangladesh looks vulnerable to donor fatigue as aid budgets are cut in the West and the new Republican Congress in the US starts to question the value of development assistance.

The heart of the issue, though, is not so much the change in the international climate. Rather it is the strong perception among donors that their efforts are continually bogged down by bottlenecks and inertia inside the government. In the donor community Bangladesh is seen as a classic example of a country whose development is held back by weak public administration rather than lack of funds.

Stories abound of projects held up and money unspent for lack of government action. "Our top priority as donors," says one Western official, "is human resource development, but the real challenge for the country itself is to reform public management."

That said, most donors also accept that neither history nor nature have been kind to Bangladesh. A whole generation of administrative talent was decimated by the civil war that preceded separation from Pakistan in 1971. A slump in education standards and retreat into state planning during the early years of independence has left a severe shortage of the kind of administrative skills required to run a modern outward-looking economy.

Over the years, Bangladesh has had to contend with a succession of natural disasters from cyclones and floods to drought and famine. Internal communication is hampered by its many rivers and its environment problems have been made worse by India's diversion of the waters of the Ganges. Its problems would be a challenge for even the most competent administration.

Against that backdrop, the development record has not been all bad. Over the last 20 years the fertility rate (number of births per woman) has dropped from seven to four.

Finance minister Rehman: we need to depend on ourselves

Population growth has slowed to 2 per cent from 2.6, and, though malnutrition has not been eradicated, Bangladesh has become virtually self-sufficient in food.

In fairness, too, the donors' record is not perfect. A multi-billion dollar plan designed to protect Bangladesh from flooding – most of the country lies very close to sea level – has been under discussion since 1989. But it has produced nothing more than $150m worth of studies and controversy about the environmental impact of interfering with the complex ecological balance created by its network of rivers.

The continual struggle for donors, though, is to find ways of making their contributions effective, both at the level where they are offering to provide expensive infrastructure and at the level where their efforts are directed at alleviating absolute poverty. For both types of assistance the essential requirement is to limit the involvement of government as far as possible.

Despite the bureaucratic frustrations, donors continue to finance major projects. Work is under way on a $700m bridge across the river Jamuna in central Bangladesh which will open up communications to the northwest of the country. The $510m Karnaphuli fertiliser plant, a joint venture between the government, donors and a consortium of companies led by Marubeni, came on stream in December. Bangladesh thus made its first exports of liquid ammonia.

But there has also been an increase in policy-related assistance by major institutions such as the World Bank. The bank, for example, is helping finance the restructuring of the largely state-owned jute industry. It is also pressing the government to reform the civil service, not only through improved training but, more importantly, also through the introduction of better incentives and greater differentiation in wage scales.

Where poverty alleviation is concerned, donors rely heavily on voluntary agencies to channel funds to the poorest people. Given the government's shortcomings in the provision of basic social services, it is probably no accident that Bangladesh is world famous for its voluntary organisations.

The Grameen Bank, which provides credit for small farmers and whose clients are mostly women has been singled out for praise more than once by Mrs Hillary Clinton, most recently at last month's social summit in Copenhagen. It no longer relies on foreign grants, though it has served as a model for others in the provision of small credits.

The Bangladesh Rural Advancement Committee (Brac) provides small-scale credit too, but it also runs more than 28,000 schools. Under its rural enterprise programme it supports small farmers and handicraft centres in the countryside.

Some donors make no secret of the fact that they regard the voluntary agencies as a surrogate to government for provision of social services, education and basic healthcare. They hope that their work of voluntary agencies will put competitive pressure on the government and force it to improve its standards. Brac itself believes it cannot indefinitely operate as a provider of services for which the government should be responsible.

"In the next five years, we expect the donors will not go on financing our schools," says Mr F.H. Abed, the former Shell accountant who founded Brac 23 years ago.

Similarly, the Grameen Bank provides credit for housing and brings education to its borrowers, according to its deputy managing director, Mr Khalid Shams. "We have the largest housing programme in the country," he says. nearly 300,000 houses have been built in rural areas for people who had never dreamt of having a roof over their head with sanitation and a water pump."

But, he says, there are limits. "Grameen Bank cannot become responsible for alleviating poverty across the whole of society. That is the responsibility of government. We have shown that it can be done with little wastage and that we can reach the target."

As for big ticket infrastructure items, privatisation looks an increasingly attractive answer. Bangladesh is almost certainly too poor to consider the kind of toll roads that are now being built in countries like Indonesia, but few doubt that involvement of private capital would do more than aid to help improve the performance of both telecommunications and power utilities.

Gradually in that case foreign direct investment might become a substitute for aid. Decision-making in areas such as privatisation has been held up by the political crisis. It remains to be seen whether a reduction in the scope and reach of government will be more successful than keeping the government supplied with cash.

But with remittances from overseas Bangladeshis increasing too, it is dawning on at least some people in government that aid is not the only answer.

In the past the country suffered from a kind of aid intoxication, says Mr Saifur Rahman, finance minister. "That was bad. It destroyed the nation's commitment to develop its own resources. We should learn to depend more on ourselves."

■ MOSLEM FUNDAMENTALISTS

How Taslima wound them up

It rankles deeply with many Bangladeshis that their most famous compatriot should currently be Taslima Nasreen, the feminist author who fled to Sweden last year after death threats by Moslem fundamentalists in Dhaka, writes PETER MONTAGNON.

The extraordinary international publicity generated by her flight conveyed the impression that Bangladesh, like Pakistan, was falling prey to increasingly intolerant fervour. Ms Nasreen became the centre of controversy after she was quoted in an Indian newspaper as saying that the Koran should be revised.

Suddenly 100,000 demonstrators rampaging through Dhaka last July were demanding that she be punished for blasphemy. That created an image of rule by mullahs which sits badly with that of a country seeking to open up to the outside world and raise its living standards by attracting foreign investment. It is one that educated Bangladeshis are now trying hard to live down.

There is no doubt that fundamentalism is gaining ground in the countryside but the case of Ms Nasreen greatly exaggerates its grip. Most political commentators will happily tell you over a discreet, and strictly-speaking illegal glass of whisky that her case is unique. About 90 per cent of the population are Moslem but the dominant strain of Islam to be found in Bangladesh is a benign one, akin to that which exists in Malaysia and Indonesia.

"We are religious, but we are not bigots," says Mr Anwar Zahid, a former information minister under Gen Ershad. He was part of the campaign against Ms Nasreen last year, but he shrinks from the idea of arbitrary death for blasphemy.

Some of the reasons why Ms Nasreen attracted hostile comment at home had more to do

Taslima Nasreen: flight to Sweden to avoid fanatical death threats

with her personal agenda of protest than with a rising tide of fundamentalism. With her outspoken feminism, she went out of her way to offend against the entrenched values of what remains a deeply conservative society. By letting her remarks be published in Calcutta she fanned the flames of resentment against India that is never far below the surface in Bangladesh.

A cursory glance at some of her writing is enough to see how it sets out to provoke. Take for instance the following poem:

When a dog is chasing
you, be warned.
That dog has rabies.
When a man is chasing
you, be warned.
That man has syphilis.

That goes down badly in a society which has seen little emancipation of women, even though its two main political leaders are female. Similarly, her habit of openly chain smoking seems deliberately designed to offend in a country where women tend not to smoke in public.

Most commentators therefore see her protest, and the reaction to it, mainly as a mark of the tensions created by the glacial pace of social change.

Ms Nasreen's frustration over the lot of women may be extreme, but change is starting to occur as more women become economically active. The trouble is that the advancement of women, frequently with the help of development agencies such as the Bangladesh Rural Advancement Committee and the Grameen Bank, is equally unsettling to men .

Underlying the controversy is also the Indian connection. Ms Nasreen claims that her remarks about the Koran were misquoted in Calcutta, but it is probably no accident that her novel *Shame* was published there. The book tells of a family caught up in Moslem reprisals following the 1992 destruction of the Ayhodya mosque by Hindu zealots there. It is a provocative subject in a country whose origins go back to partition.

That said, there is is no denying that fundamentalism is on the increase albeit from a small base. One symptom has been the tendency of informal courts – known as shalish – to mete out punishments such as whipping to women accused of adultery and promiscuity.

Western aid officials worry that this gives Bangladesh a bad name at a time when the buzzword among donors has become the empowerment of women. Some fear it could be used as an excuse for cuts in official development assistance.

If that happened Ms Nasreen would have wrought some revenge but it would still be an exaggerated response by the West. The other side of the coin is that the government has sought to clamp down on the activities of the illegal shalish and most Bangladeshis are not fundamentalists. Jamat-E-Islami, the main fundamentalist party won only 12 per cent of the votes in the last elections in 1991. As of now, few are expecting it to do much better next time round.

Kunal Bose on the future of the garment industry

Local textiles are needed

From its tentative start in the late 1970s Bangladesh's garment industry has become the country's biggest foreign exchange earner.

In the year to June 1995 earnings should reach about $2bn (compared with $1.63bn last year). Net foreign exchange earnings will be around $500m, reflectin the fact that local added value is still less than 30 per cent.

Bangladesh was previously over-dependent on jute goods and raw jute for its foreign trade earnings. However, this changed when the garment industry began to realise its export potential in the late 1980s. Mr Redwan Ahmed, MP, president of the Bangladesh Garment Manufacturers and Exporters Association, says that the industry's growth – at nearly 22 per cent a year – was not driven solely by competitive pricing, but owed a lot to traditional skills and enterprise backed by government support.

From a total of 47 garment factories, including a few big ones, in 1983, the industry now boasted 2,100 units, making nearly 90 categories of garments, said Mr Ahmed. It was the largest supplier of shirts and T-shirts to the EU and the seventh largest apparel supplier to the US.

Apart from its cheap labour, the Bangladeshi garment sector enjoyed free access to the EU and Japan and sizeable export quotas for the US and Canada.

As a result, outsiders, such as the South Koreans, had decided to create their own manufacturing capacity in Bangladesh. However, the industry remains largely in Bangladeshi hands.

Mr Ahmed also claimed that by creating a large number of jobs the industry had brought about "a social revolution for women". Nearly 90 per cent of the 1m skilled jobs in the garment factories are occupied by women from poor families. Skilled workers, he added, make between Tk2,000 ($50) and Tk4,000 a month.

Despite Mr Ahmed's confidence that greater added value would push the industry's exports $3bn by the end of the century, it is anticipating growing competition from Vietnam and Cambodia.

Industry officials point out that following the Gatt textile agreement it had become imperative for Bangladesh to expand its capacity to make fabrics and for dyeing and finishing.

"The global trade in garments will become increasingly competitive and we must do everything to keep our costs low. We will be better off if we can procure fabrics locally at international prices," the industry says.

According to Mr Ahmed, manufacturers will need around 2.25bn yards of fabric in the current year but only 4 per cent of this demand can be met by the local textile manufacturers.

But despite the country's lack of textile mills, few Bangladeshi business houses can afford to build them. Mr Ahmed therefore wants the government to try to persuade textile companies from the Far East and south-east Asia to relocate their units in Bangladesh, taking advantage of its low production cost, its large captive market and the fact that it permits 100 per cent foreign ownership.

Mr argues this is not unrealistic, noting that South Korea has recently transferred some of its yarn and fabrics making capacity to India for similar reasons. "We have fared well in developing local capacity for making knitted fabrics and various garment accessories like buttons, zippers and thread. In knitted fabrics, we are nearly 80 per cent self-reliant. There are some accessories where the local capacity can meet 70 per cent of the garment industry's demand."

Launching pads for exports

When the Bangladesh Export Processing Zones Authority was created in 1980, the government hoped it would facilitate foreign investment in non-traditional industries, writes KUNAL BOSE.

This is happening. At Bangladesh's first EPZ in the port city of Chittagong, where most units are wholly or partly owned by foreigners.

The second EPZ, opened at Dhaka 18 months ago, is faring even better. According to Mr Saiful Islam, executive chairman of the Zones Authority, 11 of the 12 units operating there have been registered as foreign companies.

The availability of cheap labour, fairly well developed infrastructure at the strategically located zones, good tax incentives and the laws protecting foreign private investment have made Chittagong and Dhaka attractive for foreign investors.

Despite the usual slowness of the government machine, foreign investors say that the Zones Authority has been able to sanction projects within a week and authorise import of raw materials and export of finished products "almost straight away".

In the first three years, the Chittagong zone suffered teething troubles. According to Mr Islam, however, almost every unit is now expanding and, since 1986, the zone's exports have steadily risen.

The blueprint for the Chittagong zone had envisaged a 600 acre development. So far 413 acres have been acquired and developed and another 40 acres have been earmarked. The workforce will increase from 23,000 to 40,000.

At Chittagong, the first units were exclusively for garment making. However, Mr Shamsul Islam, commerce minister, says that the site now has plants for electronic, electrical and mechanical goods.

In the current year, the combined export income of the Chittagong and Dhaka zones is expected to reach $200m compared with $146m last year.

The government hoped the Dhaka zone to concentrate on high value items such as gems and jewellery and high technology goods.

This has not happened, says the Zones Authority, and the products at Dhaka are no different from Chittagong.

Nevertheless, it wants work to begin quickly on a third proposed zone, at the port city of Khulna, and would like to see a fourth zone devoted solely to electronics.

Industrial workers in Bangladesh are highly organised. However, the EPZs are exempt from some of the labour laws and employees there are barred from joining unions and from striking and wages at all levels are set by the zones authority.

For an unskilled worker the minimum wage is $38 a month; for a semi-skilled worker $45; and for a skilled worker $63. Certain allowances and festival bonuses are also paid.

"An unskilled worker's pay at an EPZ is still more than twice the national per capita income of $225 a year," says an employer who praises his workers' performance. of his

■ JUTE AND THE WORLD BANK

Trouble at the mills

With exports accounting for nearly 90 per cent of the output of Bangladesh's jute mills, their production costs are under constant pressure, writes KUNAL BOSE.

The World Bank, which has sanctioned a $250m programme to restructure the jute sector, thinks that even after a significant streamlining, it should be able to produce and export more than at present.

There is no doubt that, if the restructuring goes ahead despite the trade union and political opposition, the industry will be able to stand on its own feet.

One of the Bank's proposals is for the state-owned Bangladesh Jute Mills Corporation (BJMC), which owns 15,713 of the country's 25,873 looms, to cut its total to only 4,000 through privatisation and closure of inefficient mills. (The private sector has 10,160 looms.)

According to the BJMC, the World Bank would like the industry as a whole to have only 19,831 looms operating looms by June 1996 but that they would still be able to produce 600,000 tonnes of jute goods against the present output of around 550,000 tonnes.

If the jute mills were restructured and privatised, the government would no longer have to underwrite the industry's losses every year. .

Even before the World Bank's proposals, the government had started to reduce its role in the industry, for example by completely withdrawing from trading in raw jute.

Its boldest decision, however, was to close four loss-making mills employing about 8,000 people in 1993.

"Since 1991, we have been able to reduce the number of workers in the government sector by nearly 22,000. We still employ 85,000 people in our 28 mills," said the BJMC. The 33 private plants employ around 87,000 people.

Mr A.S.M. Hannan Shah, minister of jute, thinks that the mills have 15 to 20 per cent surplus workers, and says "the problem of redundancy needs to be corrected if Bangladesh is to remain the leader in the world jute goods market".

Although India is the biggest producer of jute goods, Bangladesh exports more than two and a half times as much jute as India.

Even though the restructuring plan provides for compensating and retraining redundant workers, the reform of the sector has slowed down, possibly as a result of the country's political unrest, which has deterred the government from closing the last five of the nine mills identified as "beyond redemption".

Mr Hannan Shah admits that there have been no takers for the 10 jute state-owned mills put up for sale.

"The most important reason why we have not been able to find buyers for the government owned mills is that they give higher wages to the workers than the private mills. It is precisely for this reason that the unions are opposed to privatisation," he says.

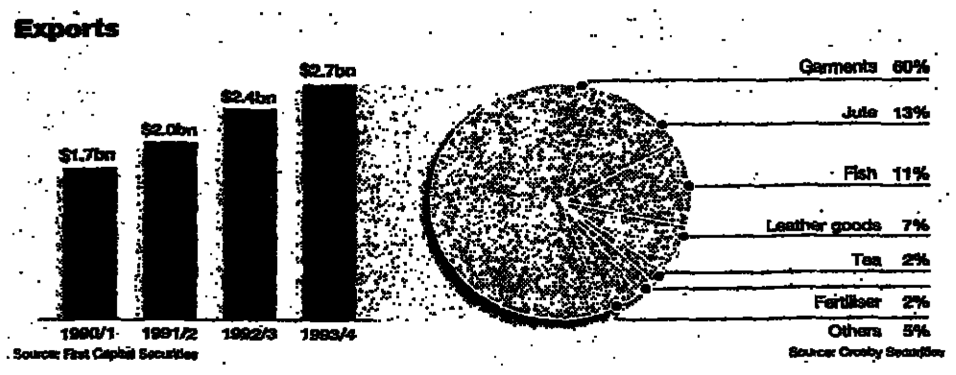
Private industry circles concede that parts of of the privatisation package are attractive – such as a write-off of a third of outstanding debts, government's agreement to bear all outstanding labour bills pending completion of the sale, and a five-year payment period for purchasing the assets.

However, they are unhappy about the government's reluctance to rationalise the workforce before inviting offers for the state-owned mills. "It is difficult to make money in an industry where wages constitute 30 to 35 per cent of the total costs," they point out.

Top heavy: harvesting jute in east Bangladesh

In spite of the industry's structural weaknesses, Bangladesh accounted for 462,300 tonnes out of total world shipments of 879,700 tonnes in 1993-94. Mr Hannan Shah says that Bangladesh could sell more jute goods abroad provided production is not disrupted by a repetition of the four-day strike in the industry in February.

"Because of the strike, we lost an order for 8m pieces of shopping bags worth $10m to India. I have told the union leaders that they are doing a disservice to the industry and the workers by their irresponsible behaviour," he said.



Mr Hannan Shah is confident that jute will regain a significant part of the market for carpet-backing lost to synthetic products, he wants the jute mills in Bangladesh to give greater attention to the production of higher value added items such as composite fabrics and wall coverings. He expressed admiration for the research and development on jute carried out on jute in India, where several mills making value added items had become highly profitable.

The same mills, he added, were largely dependent on Bangladesh for good quality raw material.

India had been importing more than 300,000 bales (180 kg each) of jute a year from Bangladesh. In order to manufacture special jute products, the mills in Bangladesh will have to install modern looms and set up dyeing and finishing houses, for which a special fund, on the lines of the jute modernisation fund in India, would have to be created.

Bangladesh already has a lead in the production and export of fine jute yarn, a high value item used as weft yarn in carpets. With world demand for fine jute yarn growing at 8 per cent a year, Bangladesh exports about 100,000 tonnes of fine yarn to the carpet manufacturers in Europe, Turkey and Iran.

It has a strategic significance for the rural economy, with more than 25m people engaged in the growing, processing and marketing. Around 5.5m bales of jute are harvested on more than 14m acres of land. While domestic mills consume 2.6m to 2.7m bales of jute, more than 1.5m bales are exported.

Mr Hannan Shah disclosed that Bangladesh was working on an EU-funded project improve quality of its jute. Noting the higher rate of jute productivity in China, he wants India and Bangladesh to work closely in a number of areas.

"Why should India and Bangladesh try to undercut each other's price in the world market? I am for a strategic alliance between India and Bangladesh on jute. Unfortunately, my initiative in this direction has not so far produced result."

Dhaka stock exchange looks over its shoulder, writes **Kunal Bose**

Competitors and computers

The trading hall of the Dhaka Stock Exchange is cramped for space.

Although only about 125 of the 195 broker members actively trade there, the hall, in the busy commercial district of Motijheel, is not big enough to accommodate them and their assistants.

According to Mr Khurshid Alam, chairman of the DSE, if so many brokers are not participating in trading it is because the daily average turnover in Bangladesh's only stock exchange is less than $400,000.

But the rapid acceleration of securities trading since 1993 has forced the Dhaka exchange to seek bigger premises and to computerise its operations.

The urgency has been increased by the prospect of the country's second stock exchange, in the port city of Chittagong, becoming operational in June. Although it claims to be the fastest growing stock exchange in south Asia, Dhaka still has a market capitalisation of only $1.03bn against India's nearly $140bn.

Nevertheless, foreign institutional investors such as Smith New Court, UBS Securities and WI Carr are quite active in Dhaka. According to Mr Alam, foreign investment accounts for nearly 20 per cent of DSE's market capitalisation.

Mr Sultan-uz Zaman Khan, chairman of the Securities and Exchange Commission, thinks that the sharp rise in the DSE share price index from 392 in 1993 to around 840 now has been possible because of the country's successful macro economic stabilisation programme and a liberal investment policy allowing portfolio investment by the foreigners.

> A second stock exchange is due to open in June in the port of Chittagong

He claims there are two basic reasons why the foreign fund managers are becoming increasingly interested in shares of Bangladeshi companies. "First, the average price earning ratio of the shares listed on DSE is still low. Secondly, there are no restrictions on the remittance of sale proceeds of shares and capital gains."

Mr Khan, in his capacity as market regulator, is also keen to spread share ownership among the Bangladeshis. "It is still the people living in metropolitan centres who are investing in shares. The size of the investor community is nothing to write home about. But what is encouraging is that the interest in share investment is growing," he says.

The SEC chairman believes that Bengalis who have traditionally put their savings in fixed deposit schemes, offering a regular income and some tax benefits, have started realising the benefits that prudent investment in shares can offer. The withdrawal of tax benefits on fixed deposit schemes, he says, "should bring in more domestic savings in the stock market".

GROWTH OF THE DHAKA STOCK EXCHANGE

	1991	1992	1993	1994
Market capitalisation Tk bn	10.4	12.3	18.1	41.0
Annual turnover Tk m	115.6	437.8	578.8	3,500
No. of listed securities	138	149	153	170

Source: Securities and Exchange Commission

The government believes that if the stock market continues to perform well and there are no "major hiccups of the kind seen in India," more Bangladeshis will feel confident to buy shares.

As widespread share-owning is new to Bangladesh, Mr Saifur Rahman, finance minister, thinks people will be mainly interested in new issues. Except for two initial public offerings (IPOs), every other new issue last year was received with enthusiasm.

However, most applicants were disappointed because up to 80 per cent of IPOs were reserved for foreign investors. After many complaints from the local investors, Mr Rahman says that in future no more than a third of primary issues would be reserved for foreign investors.

The SEC has also ruled that the foreign investors will be obliged to hang on to their shares for at least a year after purchase.

However, according to Mr Khan the foreign investors will still enjoy easier terms than in India and Pakistan where only 25 per cent of IPOs are reserved for them and where there is a much longer lock-in period.

In addition, foreign investors can increase their shareholding if the domestic market fails to subscribe the two-thirds of an issue reserved for it and there is no lock-in restriction on these devolved shares.

One of the SEC's main tasks, says Mr Khan, is to improve the market liquidity by boosting the number of securities listed on the Dhaka stock exchange and allowing the formation of mutual funds in the private sector.

Public companies with a paid up capital of at least Tk10m have to be listed on the exchange. "There are about 20 profitable companies which should have got their shares listed by now. I can force them to do so. But I put my faith on persuasion," says Mr Khan.

The government-owned Investment Corporation of Bangladesh is the only mutual fund in the country which has six schemes listed on the exchange and all the schemes are commanding handsome premia. The SEC has written a set of rules which, when approved by the government, will allow the private sector mutual funds to operate.

> The regulator wants more securities to be listed on the stock exchange

Mr Khan is also preparing for the operation of venture capital funds. "At this stage of our economic development, many good schemes will never see the light of day without support from venture capital," says Mr Khan. A strong advocate of privatisation, he thinks that the government should divest its holding in public undertakings through the stock market. This will help to widen ownership of the privatised assets and increase the stock market's liquidity. He anticipates opposition from the brokers when he introduces the capital adequacy norms or tells them to "get corporatised".

As a result of his efforts, he claims, disclosure standards in balance sheets and prospectuses have much improved. And insider trading should be deterred by the threat of five years imprisonment or a fine of Tk500,000 – or both.

Some brokers are alarmed by the SEC chairman's reforming zeal. But his task will become easier once the Chittagong stock exchange starts operating in earnest. The competition should automatically raise standards.

BANGLADESH IV

Parliament is paralysed by party warfare, writes **Richard Galpin**

Politicians in the trenches


Prime minister Mrs Khaleda Zia


Awami's Mrs Sheikh Hasina

After 12 months of increasingly bitter political conflict, the government and opposition in Bangladesh have finally beaten each other to a standstill from which neither appears able to break out.

The opposition's clamour for a neutral government to oversee the next general election has led to strikes, violence on the streets of the capital, Dhaka, and at the end of December the mass resignation of opposition MPs from parliament.

With the government on the defensive, a shadow covers the whole body politic, effectively paralysing the administration.

Electors are dismayed that only four years after the removal of the last military ruler and the restoration of democracy, the politicians seem to be placing their party interests before those of the entire country.

The interminable squabbling has also revived fears that the army might be tempted back into the political arena.

The slide into political chaos began last March when the opposition parties began boycotting parliament, accusing the government of corruption and, in particular, of rigging a by-election in the western district of Magura the month before.

What had previously long been a safe parliamentary seat for the main opposition party, the Awami League, was unexpectedly won by the ruling Bangladesh Nationalist Party, or BNP.

The chief election commissioner had left the constituency the day before voting took place, after being quoted as saying that the atmosphere was not conducive for free and fair elections. Once the scale of its defeat became clear, the Awami League cried foul, claiming there had been massive vote rigging.

Sheikh Hasina, the party leader, said that the Magura affair was not an isolated incident, but only the latest in a string of elections at various levels which had been unduly influenced by the ruling party.

Her allegations have been categorically denied by the BNP which quotes a long list of local, city and parliamentary seats won by the opposition over the last four years.

Nevertheless, the Magura election became a stick with which the three main opposition began to beat the government.

They launched a national campaign calling for the BNP to step aside in the run up to the next general elections, due in early 1996. The opposition claimed that if the BNP were desperate enough to rig by-elections, it could not remain in power pending the new general elections and that an interim caretaker administration should be brought in.

Sheikh Hasina wants this to be incorporated into the constitution and that a caretaker administration should preside over at least the next three elections.

Despite enormous policy differences, the opposition alliance consisting of the left-of-centre Awami League, the Islamic fundamentalist Jamaat-e-Islami and the Jatio Party of the former military dictator General Hossain Mohammed Ershad, has so far remained united in its campaign.

In the past year, the three parties have coordinated demonstrations, rallies, transport blockades and nationwide general strikes to try to force the government to accept their demands. Finally, on December 28, the party leaders jointly handed in their letters of resignation to the Speaker of Parliament and have since been calling for the government's immediate resignation and for early general elections.

Many observers believe the strength of the opposition's unity has caught the government by surprise. The BNP initially dismissed the opposition parties' demands as unconstitutional and undemocratic, apparently hoping that they would soon fall out with one another, and would return to parliament.

When this did not happen, the government finally woke up to the threat facing it.

Since last autumn, Mrs Khaleda Zia, the prime minister, and other BNP leaders have been addressing large rallies around the country in a bid to counter the opposition. Mrs Zia has stressed her administration's achievements in the fields of development and poverty alleviation and has accused the opposition of using undemocratic methods to undermine a democratically-elected government.

At the same time, efforts have been made to solve the crisis through negotiation, including an intervention by the Commonwealth represented by Sir Ninian Stephen, known for his prowess as a conciliator. But he gave up after four fruitless weeks of intense efforts. He was defeated by the wall of mistrust which divides the prime minister and the leader of the opposition.

With all negotiations suspended, the opposition parties finally carried out their threat of resigning from parliament.

This has caused the greatest confusion since the crisis began. For two months the speaker of parliament, Shaikh Razzaque Ali, refused to say whether he had accepted the resignation letters, saying merely that he was trying to decide whether they were valid.

It was only last month, after the High Court had heard two cases on the issue that the Speaker finally announced that he had rejected the resignation letters on the grounds that they had not been submitted in accordance with the constitution. Predictably, the opposition has ignored the ruling.

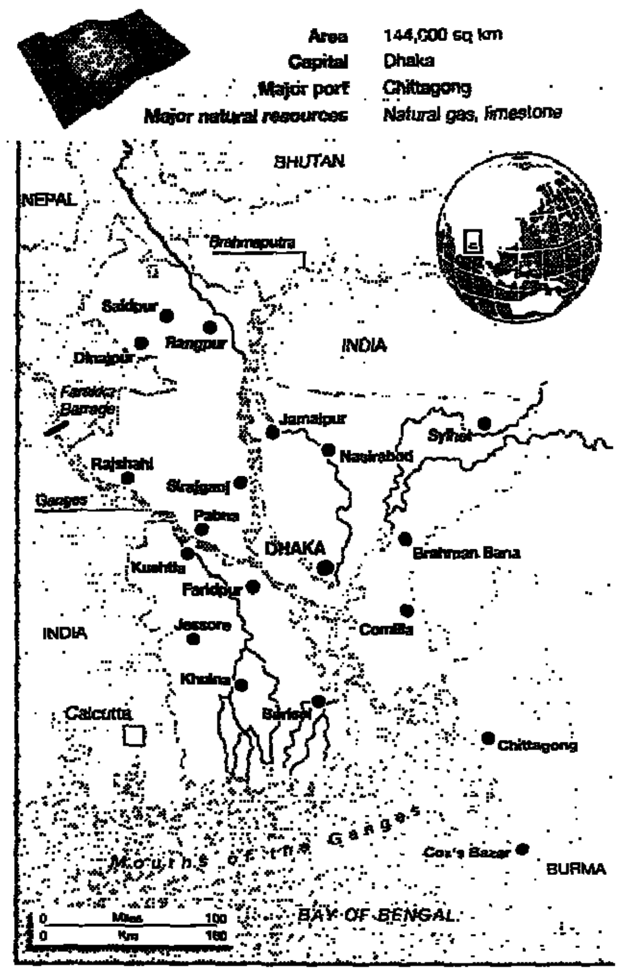
Meanwhile, the government's tactics are simply to play for time, since if the resignations were upheld it would have to call almost 150 by-elections by the end of this month which the opposition says it would boycott.

Alternatively, the government could dissolve Parliament and call general elections almost a year before they are officially due. But this could play straight into the hands of the opposition which wants nothing more than to oust the government before the end of its term.

While both sides claim the support of the people, neither really knows the true strength of its following. Throughout the crisis the absence of any proper opinion polling has enabled the antagonists to go on believing their own propaganda.

A general election may be the only way to clear the air. But there is still no sign of the present government giving way to a caretaker administration during the pre-election period. Unless it does, Bangladesh will face another year of turmoil.

Area	144,000 sq km
Capital	Dhaka
Major port	Chittagong
Major natural resources	Natural gas, limestone



Constitution: Parliamentary democracy with all executive powers vested in Prime Minister and constitutional President. Government party Bangladesh National Party with 31% of vote. Main opposition party Bangladesh Awami League (30%). Opposition leader Mrs Sheikh Hasina. Next election deadline Feb. 1996


Prime Minister Khaleda Zia


President Abdur Rahman Biswas

	1993/4*	1992/3*
GDP at market prices	$25.9bn	$24.2bn
GDP per capita	$224	$214
Real growth rate	4.6%	4.5%
Inflation (end fiscal year)	1.8%	1.3%
Fiscal deficit as a % of GDP	5.8%	5.3%
M2 money supply growth	15.4%	10.6%
Current account balance	$371m	$820m
as a % of GDP	3.1%	3.2%
External debt	$14.5bn	$14.1bn
Debt service ratio	12.5%	14.3%
Reserves	$3.8bn	$2.1bn
Taka exchange rate	1$=Tk 40	1$=Tk 39.14
Exports (of which garments 60%, jute 13%)	$2.7bn	$2.4bn
Imports	$4.3bn	$3.9bn
Foreign aid disbursements	$1.8bn	$1.7bn

*Fiscal year ending June 30

Population	113.2 million
Density	786 per sq km
Growth	2%
Living in cities	15%
Life expectancy	56.3 years
Infant mortality	88 per 1,000 births
Adult literacy	33.6%

Sources: Crosby Securities, First Capital Securities, Standard Chartered Bank

☐ GUIDE FOR BUSINESS TRAVELLERS

Most visitors need visas


A street scene in Dhaka: taxis are few and far between

☐ Travel and Immigration: Dhaka is served by a range of international airlines including the national carrier Bangladesh Biman. There are regular services to major Indian cities, as well as to Singapore and Bangkok with Singapore Airlines and Thai International. Connections to Europe include British Airways and KLM, as well as Emirates via Dubai.

Taxis are few and far between in Dhaka. The 20km trip from Zia International Airport to central Dhaka costs about Taka 400, but it is probably best to organise a car from your hotel. An airport tax of TK300 is payable on departure.

Though road connections within the country have improved, air remains the quickest way of getting around, particularly between Dhaka and Chittagong, the country's second city. Even so, allow time for delays.

Visas are required for most foreign nationals visiting Bangladesh. Nationals from countries without any Bangladesh representation may obtain 15-day visas at the airport on entry.

☐ Health: Travellers going outside Dhaka should take anti-malaria tablets. Tap water is not safe to drink anywhere.

☐ Hotels and leisure: The Sonargaon, which belongs to the Pan Pacific chain, and the Sheraton are the only hotels of international class in Dhaka. Fax numbers are 818324 and 832915 respectively. The best hotel in Chittagong is Hotel Agrabad (fax 31-22557).

There is little by way of nightlife, though Bangladeshis are hospitable and this may result in many dinner invitations. There are several good restaurants. Try the Lemon Grass (tel 607834) for Thai food or the Skyroom Restaurant (882648) for Indonesian. Foreigners may buy and drink alcohol, though it is only served in hotels. Take your own bottle to restaurants.

Bangladesh is not an obvious tourism destination, though there are some places of architectural interest and magnificent unspoilt beaches at Cox's Bazaar in the Southeast. A trip along the waterways of the densely forested Sunderbans in the southwest (nearest big town Khulna) may allow the adventurous traveller to see the famous Royal Bengal tigers. Hotels are fairly basic though, and outside the two main cities credit cards are rarely accepted.

☐ Currency: the Taka is convertible on current account, but in practice you can change money only on entry and should keep your receipt for reconversion on departure. Travellers bringing in more than $5,000 in foreign currency should make a declaration allowing their currency to be re-exported. The exchange rate is approximately Tk40 to the dollar and Tk60 to the pound.

☐ Office hours: Government offices are open from Saturday to Thursday from 9am to 4pm with a 30-minute break for lunch. Commercial offices may remain open till 5 pm though they may close early on Thursdays. Embassies and international firms may be shut on Saturdays.

☐ Useful addresses: Bangladesh Export Processing Zones Authority, 222 New Eskaton Road, Dhaka tel 832553. Board of Investment, Shilpa Bhaban, Motijheel C.A., Dhaka 1000. tel 861140. Dhaka Stock Exchange, 9F, Motijheel Commercial Area, Dhaka 1000, tel. 239882, 231935.

Reazzudin Ahmed

At the mercy of the elements

FEW countries are as exposed to environmental hazards as Bangladesh, whose low-lying coasts suffer frequent typhoons and extensive flooding while inland areas experience pollution, erosion, and inundation from the 54 rivers which pour into its territory from India, writes REAZZUDIN AHMED.

Lack of cooperation with its giant neighbour over control of river waters leads to sedimentation of the river beds, changes in their direction, pollution and increased salinity of ground waters.

The government has belatedly instituted a national environment policy to prevent further damage from uncontrolled development, the unrestrained use of fertilisers and the discharge of untreated industrial effluent.

Global changes in the climate, caused by excessive carbon emissions around the world are blamed for the rising sea-level which increases the danger of widespread flooding and threatens agriculture, forestry, fisheries and livestock which are the mainstay of the country.

Many Bangladeshis also blame their Indian neighbours for the lack of cooperation over river management.

All these factors places a heavy burden on the economy – environmental problems were estimated to have cost the Ganges basin area $85m in lost production in 1988-89 alone.

Finally, the spiralling growth in population and the deepening poverty further increase the strain on the country's resources and ecological balance.

One of the few rays of hope is that bilateral and multilateral aid donors now attach tough environmental conditions to their financial backing for development projects.

Meanwhile, however, natural and man-made environmental distrubances pose a threat to the every day lives of the ordinary people.


Always on edge: erosion and flooding are regular hazards

COMMODITIES AND AGRICULTURE

French and UK farmers unite to keep set-aside cut

By Deborah Hargreaves

French and British farmers have joined forces to press for European Union set-aside rates to remain the same next year following a 3 per cent cut in the requirement for the current crop year.

Farmers are at present required to leave 12 per cent of their land to lie fallow – that level was reduced from 15 per cent last year following tight grain harvests.

Sir David Naish, president of the National Farmers' Union, together with Mr Henri de Benoist, head of French cereals growers AGPB, and Mr Luc Guyau, president of the French farmers' union FNSEA, have written to Mr Jean Puech, president of the EU's agriculture council, to argue against restoring set-aside rates to 15 per cent.

French farmers would like to see further cuts in the rate of set-aside. "We should have a strong reduction in set-aside because we will end the season with insufficient stocks," said Mr de Benoist.

Forecasts by French cereals growers suggest that with a normal wheat crop this year, stocks will still decline by 10m tonnes by June 1996. That will leave overall stocks at 18-21m tonnes. Mr de Benoist believes stock levels of that size will push prices to unacceptably high levels.

Germany, however, favours the maintenance of higher set-aside requirements with a consequent rise in prices. But this could push consumers to find substitutes for grains, the French cereals growers say.

Mr de Benoist said French grain farmers had been cutting their costs of production by 4 to 5 per cent a year for the past five years to a level of between Ffr800 and Ffr900 a tonne.

"At this level we are competitive with US producers," Mr de Benoist said. "We are watching carefully the proposals in the US farm bill to cut deficiency payments. That will have more impact in Europe than anything currently being decided in Brussels."

● The International Wheat Council released its own estimates for the 1995-1996 wheat crop yesterday. The organisation expects a world harvest of 558m tonnes – 32m tonnes higher than this year.

Stocks are expected to be 2m tonnes higher at 110m tonnes. But the wheat council warns that if exporting countries production drops slightly: "It could become difficult to satisfy the world wheat market."

The IWC leaves its estimate of 1994-95 world wheat production unchanged from the 526m tonnes projected in its February report, down 32m from 1993-94. The coarse grains production estimate is raised by 1m tonnes to 860m, up from 790m in 1993-94.

Iraq looks to foreigners for oil investment

International interest in the beleaguered industry is growing, writes Robert Corzine

Iraq's oil industry is beset by low morale among workers, a growing shortage of spare parts, no cash for investment and an international embargo that restricts exports to a trickle of supplies to neighbouring Jordan, Turkey and Iran. Otherwise, the future looks relatively rosy, according to Iraqi officials.

The absence of Iraqi crude from the world oil market is virtually complete. Yet international interest in the industry is growing, fuelled in part by the announcement last week that Baghdad will rely on foreign companies to finance and develop most of its future growth.

At present the industry is merely ticking over, say petroleum ministry officials. Production is below 1m barrels a day, compared with a capacity of of 3.8m b/d before the Gulf War. That is sufficient to meet domestic demand and United Nations-approved exports of about 70,000 barrels a day of crude oil and refined products to Jordan. An unknown volume of crude and diesel is also trucked to Turkey and Iran.

Iraqi officials say reconstruction since the end of the Gulf War has taken production capacity back to 2.6m b/d and export capacity to 3.5m b/d.

Steps are being taken to expand production capacity further, though western oil experts who have visited the main fields report a severe shortage of equipment. One French oil service company executive who has travelled extensively in Iraq says many workers are leaving the industry, while the majority of those who remain lack motivation.

Post-sanctions plans put forward in Baghdad last week by oil ministry officials call for a staged expansion of the industry, funded mainly by foreign companies. The proposals envisage a relatively quick increase in capacity to 3.5m b/d, as existing fields are rehabilitated. Capacity would be boosted to 5m b/d by 2000, with the eventual target 6m b/d by 2010.

That, say western observers, may be over-optimistic, even though Iraq's reserve base, which government officials now estimate at 112bn barrels, would seem sufficient.

"Iraq's production since nationalisation of the oil industry in the 1970s has not been commensurate with our reserves," says Mr Faiz Al Shahin, under secretary at the oil ministry. Officials point to the fact that only 15 of the 73 oil fields discovered so far have been developed.

Government figures suggest the total cost of the upstream expansion could be $25bn over five to eight years. But individual developments are likely to be low-cost compared to many other oil producing regions.

Mr Thomas Stauffer, a Washington D.C.-based industry expert, says Iraq's incremental production costs are among the lowest of the big Opec producers in the Middle East. He notes that an individual well should pay for itself in as little as three months.

Mr Fergus McLeod, an analyst with NatWest Securities in Edinburgh, says "the very low cost of oil development and production means that the government is able to offer attractive terms to companies. . . while still keeping the bulk of the revenues for itself".

He has calculated that even if oil prices stay at $16 a barrel the Iraqi government takes an average of 75 per cent of the net revenues of the giant fields now on offer to foreign companies such as Elf Aquitaine and Total of France, the ". . . margin for the company could be an attractive $3.38 a barrel, close to the better operators in the North Sea and excellent by Middle East standards".

Mr Safa Hadi Jawad, oil minister, says the rate of return companies can earn will "vary from one field to another." He says "10 per cent might be appropriate for some fields," but more difficult developments could justify a higher rate.

Most foreign companies, however, are likely to seek as quick a payback as possible.

Another concern of the foreign companies currently negotiating with the Iraqis is the possibility of a conflict between a sharp rise in output and any production restrictions that might be imposed by the country's membership of the Organisation of Petroleum Exporting Countries.

Oil ministry officials, however, say any future cuts would be shared by all producers, not just foreign companies. As for possible nationalisation once Iraq's industry is back on its feet, Mr Jawad said foreigners "have nothing to worry about".

Australia hopes to double its horticultural exports

By Nikki Tait in Sydney

Australia should be able to double its horticultural exports to around A$2bn over the next five years, government ministers said yesterday, as they announced a series of measures to encourage the sector, ranging from tax breaks to a revamped role for the Australian Horticultural Corporation.

"We believe that A$2bn is a realistic and achievable target," Senator Nick Sherry, parliamentary secretary to the federal primary industries minister, said, as he released a report "Horticulture 2000", which looks into the industry's potential. In 1993-94 horticultural exports, ranging from fruit juice to mushrooms (but excluding wine), were put at A$963m (US$698), while total output was worth A$3.5bn.

However, both Senator Sherry and the report acknowledged that marketing by the sector needed to be improved – in terms of promotion as well as quality and reliability – and that further research and development work was essential. Mr Sherry also cited access to capital and reform of the Australian Quarantine and Inspection Service as other areas where valuable improvements could be made.

One immediate change will be the introduction of tax write-offs for the cost of establishing new horticultural plantations: growers will now be able to depreciate the cost of establishing these over the effective life of the plantings. There will also be A$9m of federal funding to encourage the citrus industry to focus on exports of fresh fruit and fruit juice, rather than the juice concentrate sector.

MARKET REPORT

Metals higher

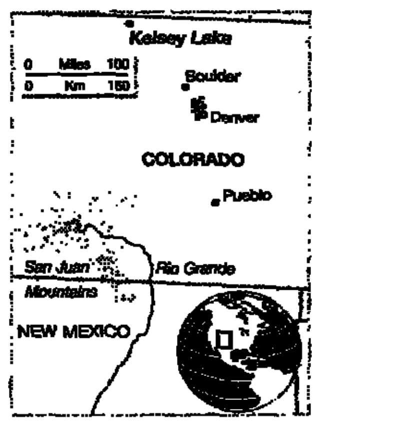
Most base metals ended after hours "kerb" trading higher yesterday in anticipation of further across-the-board falls being announced in London Metal Exchange warehouse stocks today.

Broker profit-taking capped the gains, however, and COPPER found resistance towards $2,950 a tonne, for three months delivery, while ALUMINIUM failed to reach its overhead target of $1,880 a tonne. Copper ended at $2,939 after peaking at $2,947. Aluminium finished $1 below its high but $27 up on the day at $1,868 a tonne.

Among the precious metals PALLADIUM swept to a fresh 6-year high at its fixing of $168.50 before jumping a further $3. One New York dealer said the investment funds had "got the bit between their teeth with this one."

Compiled from Reuters

Rockies mine goes for slam in diamonds



By Kenneth Gooding, Mining Correspondent

North America's first commercial diamond mine will go into production in August, says Mr Tony Hamilton, president of Redaurum, the company that owns the property.

Located 2,400m up in the Rocky Mountains on the Colorado/Wyoming border, the mine can be worked only ten months a year because of snow. Its output will also be small by industry standards – only 100,000 carats of rough gem diamonds a year when it reaches full production in 1997.

But the quality of its stones makes it a commercial proposition, said Mr Hamilton at a presentation to analysts and investors in London yesterday. So far 65 per cent of the diamonds recovered at Kelsey have been of gem quality and 25 per cent by weight of all those recovered have been larger than one carat.

Mr Hamilton said Redaurum had already been approached by organisations wishing to retail the stones as unique "American diamonds" and it was reasonable to expect that they would fetch a premium.

Kelsey Lake consists of a cluster of eight kimberlite "pipes", two of which contain commercial quantities of diamonds and cover an area of 22 acres. The deposit was discovered in 1986 by a local geologist, Mr Howard Coopersmith, who lives 65km away in Fort Collins and acts as a consultant to Redaurum.

Little has been heard about the project until recently because for most of the time since its discovery it has been in private hands. This changed in December when Redaurum, listed in Toronto, took full control of Kelsey.

Redaurum is now the quoted arm of Cornerstone Investments, a private group owned by Mr Hamilton and Mr Robin Baxter-Brown, a well known geologist. Cornerstone owns 46 per cent of Redaurum following a reverse takeover in January 1993. About 30 per cent of the remaining shares are held by European investors, including 10 institutions, and Mr Hamilton said the ground was being prepared for a listing on the London Stock Exchange before September.

Redaurum's prime asset at present is a 50 per cent share, and joint management control of the River Ranch diamond mine in Zimbabwe. This was discovered by De Beers, the South African group that dominates the diamond industry, in the 1980s but never fully developed. De Beers gave up the mine because it could not agree terms to continue with the Zimbabwe government. Cornerstone took over with its Australian partner, Auridium Consolidated in 1991.

River Ranch produced 151,000 carats of rough diamonds last year and output is being stepped up to an annual rate of 225,000 carats by September. Once again, the quality of the stones being recovered makes up for the small quantities – 60 per cent so far have been of gem quality and 10 per cent over one carat.

This month Redaurum acquired for C$460,000 a small alluvial diamond mine, Quaggas Kop, 285kms north of Cape Town in South Africa, which brings with it land with exploration potential.

Mr Hamilton said Redaurum would use the lessons learned at River Ranch to build up production at Kelsey Lake where development would cost about US$1.5m this year. Output would be increased gradually and the sale of diamonds would provide cash flow for each stage of the expansion. There was little potential for further commercial diamond discoveries at Kelsey Lake. Present reserves gave a mine life of about ten years.

Redaurum sells its diamonds in Antwerp independently of the De Beers diamond cartel. Mr Hamilton suggested that this was providing "short term" financial benefits and River Ranch stones last year fetched about 10 per cent more than comparable diamonds sold through the cartel. Redaurum sold several larger, gem quality stones weighing up to 36.6 carats for between $1,800 and $2,000 a carat last year.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1817-8	1852-3
Previous	1788-8	1823-5
High/low		1874/1842
AM Official	1817-8	1852.5-3
Kerb close		1867-8
Open int.	212,459	
Total daily turnover	42,160	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1830-40	1830-40
Previous	1824-6	1824-5
High/low		1840/1835
AM Official	1830-40	1830-40
Kerb close		1840-3
Open int.	2,685	
Total daily turnover	905	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	607-8	620-1
Previous	605-6	618-9
High/low		628/620
AM Official	608-9	621-2
Kerb close		624-5
Open int.	36,745	
Total daily turnover	5,293	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7705-15	7840-50
Previous	7610-20	7740-50
High/low	7710/7700	7975/7850
AM Official	7695-700	7850-5
Kerb close		7900-10
Open int.	53,595	
Total daily turnover	24,549	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5715-25	5760-70
Previous	5800-10	5840-5
High/low		5875/5750
AM Official	5805-15	5850-60
Kerb close		5835-40
Open int.	20,429	
Total daily turnover	7,508	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1032-3	1058-9
Previous	1041-2	1068-9
High/low	1037.5	1072/1055
AM Official	1037.5-8	1063-4
Kerb close		1056-7
Open int.	97,094	
Total daily turnover	13,473	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2963-4	2938-9
Previous	2955-8	2915-6
High/low	2965	2948/2933
AM Official	2968-9	2938.5-9
Kerb close		2937-8
Open int.	228,257	
Total daily turnover	74,405	

■ LME AM Official £/$ rate: 1.5910
LME Closing £/$ rate: 1.5956

Spot:1.5935 3 mths:1.5921 6 mths:1.5889 9 mths:1.5852

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Mar	142.60	+0.50	143.15	142.00	2,819	834
Apr	140.40	-0.50	141.00	140.00	2,027	229
May	138.00	-0.30	139.40	137.40	27,848	20,065
Jun	135.40	-	135.30	135.30	828	10
Jul	133.25	-0.25	134.40	132.80	6,954	938
Aug	131.10	-0.30	-	-	370	3
Total					48,764	22,487

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.60-384.00		
Opening	383.00-383.40		
Morning fix	383.10	240.913	444.204
Afternoon fix	383.45	240.061	443.537
Day's High	383.60-384.20		
Day's Low	382.70-383.10		
Previous close	382.20-382.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.89	6 months	4.80
2 months	4.23	12 months	5.19
3 months	4.49		

Silver Fix	p/troy oz.	US cts equiv.
Spot	295.15	469.25
3 months	299.10	475.15
6 months	304.35	482.45
1 year	315.55	497.85

Gold Coins	$ price	£ equiv.
Krugerrand	387-390	244-247
Maple Leaf	394.60-397.05	-
New Sovereign	89-92	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	384.0	+0.9	-	-	35	35
Apr	384.3	+0.8	384.9	383.6	55,066	17,835
May	385.5	+0.8	-	-	-	20
Jun	386.7	+0.8	387.4	386.1	35,476	4,369
Aug	389.9	+0.6	390.0	389.5	16,751	360
Oct	393.3	+0.8	-	-	4,722	101
Total					168,915	23,541

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	416.8	+2.1	417.5	415.0	9,390	3,249
Jul	419.8	+2.9	420.0	418.0	10,073	1,378
Oct	423.0	+3.0	-	-	2,371	89
Jan	426.6	+3.0	-	-	740	1
Total					22,574	4,717

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	172.10	+3.30	-	-	4	3
Jun	174.10	+4.30	175.50	170.25	7,374	553
Sep	175.60	+4.55	-	-	472	2
Dec	176.80	+4.55	-	-	133	1
Total					7,983	558

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	466.9	+2.7	465.0	465.0	39	12
Apr	467.5	+2.5	-	-	1	-
May	469.5	+2.5	471.5	466.0	63,614	13,660
Jul	474.8	+2.5	477.0	471.0	14,773	941
Sep	479.8	+2.5	479.0	479.0	11,266	13
Dec	487.6	+2.5	489.0	486.0	16,290	72
Total					130,349	14,812

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	18.83	-0.13	18.96	18.82	92,549	79,993
Jun	18.70	-0.10	18.78	18.66	52,896	34,207
Jul	18.55	-0.10	18.62	18.52	32,559	15,797
Aug	18.40	-0.11	18.48	18.39	12,618	5,780
Sep	18.29	-0.11	18.35	18.29	22,774	2,914
Oct	18.21	-0.08	18.23	18.20	10,105	1,043
Total					337,449	168,080

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	17.18	-0.04	17.24	17.12	59,722	30,773
Jun	17.02	-0.05	17.05	16.95	24,731	13,687
Jul	16.85	-0.05	16.88	16.79	18,286	4,660
Aug	16.77	-0.03	16.80	16.70	8,971	1,273
Sep	16.70	-0.08	16.73	16.70	5,632	525
Oct	16.65	-0.08	16.69	16.65	3,258	260
Total					140,993	52,785

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	46.50	-0.52	47.05	46.50	22,914	20,327
May	46.85	-0.50	47.30	46.85	31,078	15,825
Jun	47.50	-0.30	47.80	47.45	14,692	2,138
Jul	48.05	-0.25	48.30	48.00	14,395	1,786
Aug	48.70	-0.25	48.75	48.85	6,610	1,123
Sep	49.95	+0.15	-	-	4,381	395
Total					124,065	43,391

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	149.25	+1.25	149.50	148.25	40,110	8,642
May	148.50	+0.75	149.00	147.75	20,912	4,793
Jun	148.75	+1.25	149.00	148.25	10,673	2,885
Jul	150.25	+1.25	150.25	149.50	7,829	716
Aug	152.00	+1.25	151.50	151.50	2,086	39
Sep	153.75	+1.25	153.50	153.00	2,175	514
Total					96,904	19,495

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	1.568	+0.017	1.574	1.533	19,146	22,552
May	1.685	+0.022	1.700	1.650	28,536	12,857
Jun	1.755	+0.023	1.765	1.720	13,942	5,304
Jul	1.775	+0.013	1.785	1.750	13,087	3,211
Aug	1.775	+0.009	1.785	1.750	13,080	1,846
Sep	1.783	+0.004	1.785	1.760	13,079	1,527
Total					164,206	29,326

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	57.35	-0.55	57.95	57.20	17,351	18,409
May	57.20	-0.36	57.65	57.10	23,703	15,684
Jun	57.10	-0.20	57.30	56.85	9,950	4,550
Jul	56.80	-0.10	57.05	58.75	6,574	2,027
Aug	56.35	-0.30	56.50	56.30	3,402	434
Sep	55.60	-0.10	55.80	55.50	2,490	68
Total					68,565	41,359

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	113.40	+1.00	112.80	112.80	79	10
May	113.40	+0.20	113.90	113.40	1,852	238
Jul	114.70	+0.30	115.20	114.75	433	35
Sep	100.95	-0.15	101.10	101.00	327	6
Nov	101.90	-	102.00	101.80	2,485	75
Jan	103.85	-	104.00	103.85	669	35
Total					N/A	508

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	353/0	-8/0	360/4	352/4	81	98
Jul	340/4	-4/2	346/0	340/2	23,030	9,714
Sep	345/4	-4/2	351/6	345/4	23,594	6,197
Dec	357/2	-3/6	362/4	356/6	3,389	882
Mar	363/0	-2/0	363/4	363/0	2,550	300
Total					82,788	17,909

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	247/2	+1/4	247/6	246/2	396	1,196
Jul	253/0	+1/6	253/6	251/6	108,233	18,936
Sep	257/0	+1/4	258/0	255/4	108,923	8,439
Dec	260/2	+1/4	261/4	259/0	20,728	652
Mar	266/4	+1/4	267/4	265/0	91,475	16,263
May	270/4	+1/4	271/0	270/0	8,510	505
Total					345,798	46,407

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.00	+1.00	-	-	158	-
May	108.00	+0.20	-	-	109	-
Sep	100.40	+0.05	-	-	527	5
Nov	101.30	+0.05	-	-	164	5
Jan	103.35	-0.20	-	-	106	15
Mar	105.20	-0.45	-	-	-	-
Total					N/A	25

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	579/6	-0/2	584/0	578/4	192	241
Jul	581/0	-	594/6	589/6	46,770	13,936
Aug	595/2	+0/2	598/4	594/6	50,031	14,878
Sep	597/4	-0/2	601/0	597/0	6,223	580
Nov	604/2	+1/0	608/0	603/4	3,662	425
Jan	612/0	+0/6	615/4	611/4	28,654	3,978
Total					148,683	34,380

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	26.71	+0.39	26.75	26.26	70	1,755
Jul	26.27	+0.34	26.34	25.83	30,195	10,584
Aug	26.10	+0.34	26.14	25.68	22,676	5,022
Sep	25.93	+0.31	25.95	25.55	8,158	1,049
Oct	25.75	+0.32	25.77	25.45	6,370	1,094
Dec	25.51	+0.30	25.55	25.20	6,658	820
Total					88,539	21,481

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	166.3	-1.1	168.6	165.9	159	250
Jul	170.8	-1.1	173.1	170.8	36,509	7,526
Aug	172.8	-1.2	175.0	172.8	29,467	3,454
Sep	174.9	-1.2	176.8	174.8	7,865	285
Oct	176.3	-0.8	178.1	176.1	5,159	477
Dec	179.4	-0.9	181.0	179.0	9,061	161
Total					101,503	13,190

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	296.5	+2.0	298.0	296.0	538	8
May	335.5	-4.0	338.0	336.0	82	14
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					N/A	20

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2273	-26	2280	2280	367	5
Apr	2225	-50	2270	2200	967	174
May	2145	-50	2175	2125	984	43
Jul	1882	-61	1945	1881	930	69
Oct	1858	-70	1860	1850	948	15
Jan	1818	-65	1820	1820	320	6
Total					N/A	312

	Close	Prev
BFI	2294	2295

Wool
Prices at Australian auctions this week started by easing, with finer merinos most affected, but at the final sales yesterday the market strengthened, and merinos regained much of the ground lost in the previous two days. The Eastern Market Indicator closed at 822c/kg, after 818 the previous day and 827 a week ago. Crossbreds also gave an erratic impression, and in New Zealand the market indicator was down 7 at 639c/kg. China remains the important factor in many market fluctuations and there is no impression that the demand from there will slacken significantly. Throughout the wool using industry price resistance is seen as the factor making trade difficult and relatively, if not entirely, unprofitable. Competitive fibres have risen in price with wool so they are not at the moment presenting an easy escape.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	943	-19	961	944	1,700	46
May	953	-22	973	952	20,657	3,829
Jul	966	-19	984	964	13,133	1,956
Sep	978	-19	995	979	12,439	654
Dec	994	-14	1010	993	14,793	627
Mar	1013	-11	1027	1012	19,919	627
Total					N/A	8,058

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1306	-23	1333	1305	34,829	4,330
Jul	1329	-23	1356	1328	13,109	2,336
Sep	1353	-19	1375	1352	8,908	429
Dec	1379	-15	1403	1377	5,952	295
Mar	1405	-12	-	-	6,031	61
May	1420	-12	-	-	4,602	14
Total					78,992	7,567

■ COCOA (ICCO) (SDR's/tonne)

Mar 22	Price	Prev. day
Daily	946.97	934.92

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	3125	-80	3170	3130	203	28
May	3086	-79	3125	3075	14,622	1,963
Jul	3033	-80	3078	3025	9,849	1,169
Sep	3005	-69	3033	2990	8,383	85
Nov	2983	-78	3005	3000	1,485	21
Jan	2945	-68	-	-	210	-
Total					N/A	3,287

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	165.85	-3.90	168.90	165.35	15,279	5,307
Jul	167.85	-3.70	170.70	167.40	9,675	1,262
Sep	169.30	-3.45	171.40	169.15	5,678	129
Dec	169.75	-3.75	171.90	169.50	5,391	252
Mar	170.00	-3.65	170.25	169.25	1,151	147
May	169.50	-3.85	-	-	59	-
Total					37,233	7,117

■ COFFEE (ICO) (US cents/pound)

Mar 22	Price	Prev. day
Comp. daily	160.66	159.87
15 day average	165.20	165.79

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	14.74	-	-	-	1,161	-
Jul	13.77	-	-	-	2,380	-
Oct	12.58	-	-	-	-	-
Jan	13.25	-	-	-	-	-
Mar	13.25	-	-	-	2,000	-
Total					5,521	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	378.6	+0.5	380.5	378.2	12,570	831
Aug	364.4	+1.0	365.5	364.0	7,613	483
Oct	332.5	+0.6	333.5	332.5	3,548	74
Dec	322.6	+0.4	-	-	378	-
Mar	318.1	-0.1	-	-	643	-
May	318.0	-0.1	-	-	218	-
Total					24,989	1,398

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	14.18	+0.08	14.28	14.11	58,379	11,642
Jul	13.05	+0.10	13.08	12.98	37,367	4,711
Oct	12.15	+0.01	12.22	12.12	37,566	2,574
Mar	11.86	-0.01	11.93	11.83	13,184	781
May	11.68	-0.01	11.69	11.68	3,532	84
Jul	11.41	-0.01	11.39	11.39	3,739	49
Total					154,882	19,898

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	104.30	-2.00	105.00	104.30	21,514	3,771
Jul	101.35	-2.00	103.20	101.35	18,819	3,091
Oct	83.79	-1.51	85.10	83.77	7,399	610
Dec	78.23	-0.85	79.00	78.18	25,323	1,884
Mar	79.08	-0.84	80.00	79.08	5,448	252
May	79.40	-0.77	80.00	79.40	1,062	132
Total					89,747	9,760

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	103.70	+1.05	103.75	102.50	11,743	1,179
Jul	107.85	+1.35	107.85	106.70	5,337	373
Sep	111.45	+1.35	111.80	110.25	4,372	258
Nov	109.85	+1.45	109.40	108.90	2,260	106
Jan	111.45	+1.55	111.45	110.00	1,631	144
Mar	112.95	+0.85	-	-	193	4
Total					25,545	2,064

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 23	Mar 22	month ago	year ago
2323.4	2321.6	2288.8	1843.9

■ CRB Futures (Base: 1967=100)

Mar 22	Mar 21	month ago	year ago
235.59	234.46	235.83	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	68.100	-0.775	69.000	68.075	34,809	11,211
Jun	63.000	-0.825	63.875	62.900	24,284	4,561
Aug	61.250	-0.800	62.200	61.200	8,967	1,674
Oct	62.875	-0.550	63.550	62.825	5,604	894
Dec	64.800	-0.350	65.225	64.850	2,474	180
Feb	65.800	-0.325	66.150	65.800	2,212	277
Total					79,036	18,831

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	38.875	-1.500	40.250	38.875	9,210	1,384
Jun	45.375	-1.500	46.850	45.375	14,346	1,867
Aug	44.400	-1.175	45.500	44.300	3,625	432
Oct	41.225	-1.075	42.250	41.200	2,606	210
Dec	41.725	-0.975	42.700	41.700	2,467	261
Feb	41.700	-1.050	42.650	41.700	911	68
Total					33,594	4,285

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	46.200	-2.000	46.200	45.200	231	38
May	45.300	-2.000	46.950	45.300	5,399	1,409
Jul	45.375	-2.000	46.925	45.375	2,211	257
Aug	42.475	-1.875	43.900	42.425	434	61
Feb	52.200	-2.000	53.200	52.200	127	12
Mar	51.200	-1.300	-	51.200	9	5
Total					8,411	1,775

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1800	136	181	72	113
1850	109	156	94	137
1900	87	134	121	163
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2850	132	102	44	119
2900	102	81	63	147
2950	77	64	87	178
■ COFFEE LCE	May	Jul	May	Jul
3050	136	219	100	236
3100	111	200	125	267
3150	91	183	155	300
■ COCOA LCE	May	Jul	May	Jul
950	26	56	23	39
975	16	43	38	52
1000	9	33	56	67
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1600	116	128	29	63
1650	79	101	44	86
1700	59	77	72	112

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$16.01-6.16z	-0.455
Brent Blend (dated)	$17.51-7.53	+0.37
Brent Blend (May)	$17.16-7.18z	+0.12
W.T.I. (1pm est)	$18.85-8.87z	+0.08

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-173	
Gas Oil	$151-152	+2.0
Heavy Fuel Oil	$96-98	-1.5
Naphtha	$172-174	-0.5
Jet fuel	$170-172	+0.5
Diesel	$151-152	-1.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

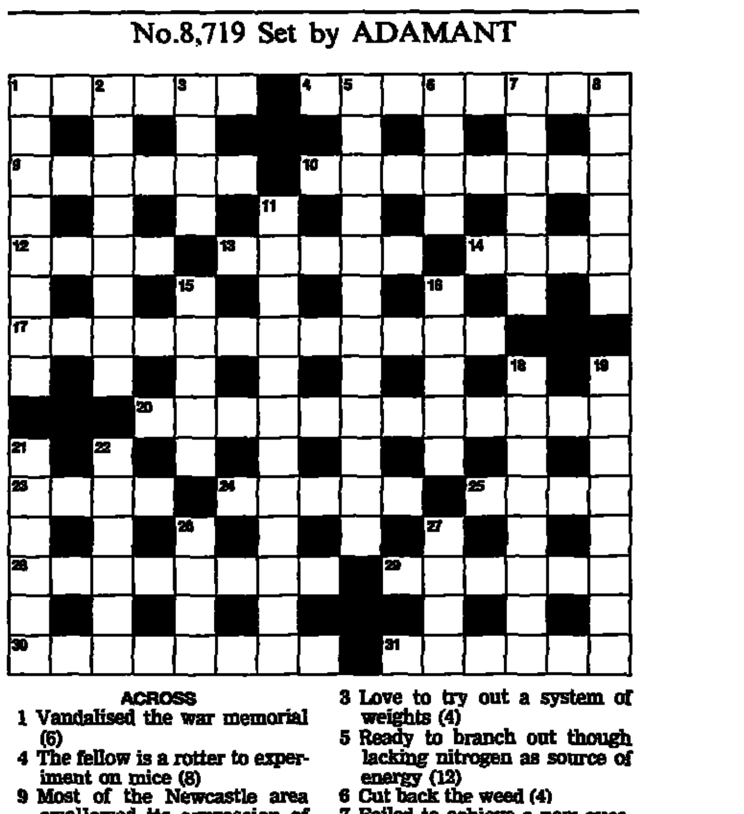
Gold (per troy oz)$	$383.80	+1.40
Silver (per troy oz)$	468.50c	+6.00
Platinum (per troy oz.)	$416.90	+4.30
Palladium (per troy oz.)	$168.50	+2.85
Copper (US prod.)	147.0c	+3.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.82m	+0.70
Tin (New York)	274.50c	-2.00
Cattle (live weight)†	121.95p	+0.85*
Sheep (live weight)†♣	131.33p	+3.89*
Pigs (live weight)†	92.45p	+0.08*
Lon. day sugar (raw)	$361.70	+9.00
Lon. day sugar (wte)	$384.00	+5.00
Tate & Lyle export	£342.00	+5.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	123.00p	+0.50
Rubber (May)♥	123.00p	+0.50
Rubber (KL RSS No1)	462.5m	
Coconut Oil (Phil)§	$825.0u	+5.0
Palm Oil (Malay.)§	$692.5z	+2.5
Copra (Phil)§	$396.0u	
Soyabeans (US)	£168.0y	-5.0
Cotton Outlook'A' index	111.65c	+0.45
Wooltops (64s Super)	519p	-3

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Mar/Apr. q May ♥ London Physical. § CIF Rotterdam. $ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

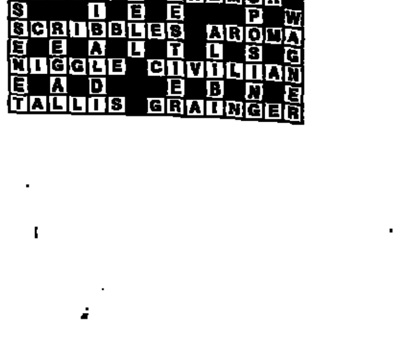
No.8,719 Set by ADAMANT



ACROSS
1 Vandalised the war memorial (6)
4 The fellow is a rotter to experiment on mice (8)
9 Most of the Newcastle area swallowed its expression of surprise at the successful businessman (8)
10 Webber will help construct the ranch inside (6)
12 Blow up hotel on outskirts of Prague around May 3rd (4)
13 Chaos causes hot scrambled eggs to get cold (5)
14 Influence the wayward stroke (4)
17 Leaving you wanting more (12)
20 Lame, curiously eager-hearted, but not nice to know (12)
23 Mere game (4)
24 Stone age at its heart (5)
25 Four into heavy metal – or more! (4)
28 Stubborn old boy with assignment around the town (8)
29 Cruel depression in Labour's comeback (6)
30 Group of people prove practicable on metal casing (8)
31 Chancellor of Exchequer is first to run away from charge over the top (6)

DOWN
1 TUC, half prepared to follow original warning and be cautious (8)
2 Enjoying a fantastic flight (8)
3 Love to try out a system of weights (4)
5 Ready to branch out though lacking nitrogen as source of energy (12)
6 Cut back the weed (4)
7 Failed to achieve a new question in the Middle East (6)
8 Take good care of Mr Porter – he needs two days inside (6)
11 His giggle is killing! (12)
15 Indifferent to being thus surrounded (5)
16 Banned work on the foreigner (5)
18 Sailors in the drink (8)
19 Early call always upsets poorly European (8)
21 In the early hours nationalists need British self-possession (6)
22 Society otherwise acted dirty (6)
26 Boast about the quarrel (4)
27 Test of morals (4)

Solution 8,718



INTERNATIONAL CAPITAL MARKETS

Treasuries rally after dollar hits low against yen

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices dropped modestly in early trading as the dollar slipped to record lows against the yen, but the prices turned positive by late morning as the dollar bounced off its lows and gained on the D-Mark.

At midday the benchmark 30-year Treasury was up $\frac{12}{16}$ at 102¼ to yield 7.430 per cent. At the short end of the market, the two-year note was up $\frac{1}{16}$ at 100$\frac{5}{16}$, yielding 6.697 per cent.

At mid-morning in New York the dollar fell to a new post-second world war low against the yen of Y88.01 causing the long bond price to fall almost a third of a point with a yield of 7.47. But the benchmark Treasury security turned positive later in the morning as the dollar gained.

Near midday the dollar was changing hands at Y88.30, off its lows for the day but still below the Y88.95 level of late Wednesday. The dollar also sank against the D-Mark in early trading but moved up against the German currency later in the morning. Near midday it was trading for DM1.4060 versus DM1.4027 late on Wednesday.

GOVERNMENT BONDS

Adding some pressure to the market was new supply to come from two auctions next week. The Treasury was expected to sell $17.25bn in two-year notes on Tuesday and $11bn in five-year notes on Wednesday.

The early morning release of initial unemployment claims did not move the markets although they did indicate continued slowing of the economy. According to the Labor Department figures, the number of people filing first time claims for unemployment increased by 3,000 from the 343,000 filing claims the previous week.

European bond markets had another directionless day as continued currency volatility kept investors at bay.

Most dealers expect little activity today and said markets are likely to continue trading sideways until next week's meeting of the US Federal Reserve's Open Market Committee (FOMC) on Tuesday and the Bundesbank council meeting on Thursday.

Until then, investors may continue seeking safety in German assets, some say. "We could see some switching into D-Marks [today] on the belief that something else could happen on the ERM front over the weekend," said Mr Craig Shute, fixed-income analyst at Bear Stearns.

■ German government bonds ended a quiet session a touch higher, unruffled by the sharp decline in the German stock market – indeed, some dealers suggested the bunds might have gained support from investors switching out of equities into fixed income.

The June bund future on Liffe closed at 91.87, up 0.06 point on the day. The three-month euromark futures contract on Liffe closed at 94.92, up 0.03 point.

The market showed little reaction to March cost-of-living data from Germany's most populous state North-Rhine Westphalia, which were largely in line with forecasts. Inflation rose by 0.2 per cent on the month and was up 2.4 per cent on the year.

■ UK gilts marginally outperformed bunds, supported by sterling's continued recovery and a firmer tone in US Treasuries.

The long gilt futures contract on Liffe closed at 103⅝, up $\frac{1}{32}$ point. The UK 10-year yield spread over Germany narrowed by two basis points to 145 basis points.

February retail prices gave the market an early fillip even though they were largely in line with most participants' forecasts. Today, dealers will shift their attention on to the release of the CBI's monthly trends survey for March. "Everyone is hoping to see a slowdown," said one dealer.

■ French bonds ended lower, depressed mainly by a weaker currency as the falling dollar dragged the franc lower.

The June notional bond futures contract on Matif fell by 0.14 point to 112.18. French bonds' yield premium over German bunds widened by three basis points to 80 basis points.

■ In Italy, bonds ended weaker but well above their early lows. Prices once again were depressed by currency weakness which was fuelled by the weaker US dollar and concerns over the lack of progress in the government's pension talks.

The June BTP future on Liffe closed at 92.88, down 0.22 point but above its intra-day low of 92.30.

■ The main beneficiary of the global currency turbulence has been the Japanese government bond market, which rallied sharply this week as the yen continued hitting ever-new highs against the US dollar. The June JGB futures contract rose to 113.50 yesterday, from London's Wednesday opening of 112.76, and is up about a point on the week.

"The move has been allied to the strength in the yen and the effect that is seen to have on the economy and the equity market," said Ms Ros Lifton, senior economist at Daiwa Bond Research in London.

She said hopes were growing in the JGB market that the Bank of Japan may pursue an accommodative monetary policy and follow that through with a cut in the official discount rate.

"We don't think that's likely at this point in time, but if economic data turn out weak [in coming weeks], it could be on the cards in the second quarter," she said.

● Finland's State Treasury Office is considering issuing a new government serial bond with a maturity of 12 years to 15 years, Reuters reports.

Distinct interest in the new bond among market makers is required for the launch to take place, said the STO. "It is impossible to sell if no-one buys."

F&C to liquidate Latin American Income Company

By Antonia Sharpe

The profound reversal of investor confidence in Latin America over the last year has forced Foreign & Colonial, one of the most active fund managers in emerging markets, to seek the liquidation of one of its funds.

International investors in Latin America started to repatriate their money in the first quarter of last year when US interest rates began to rise and the bull run in global bond markets came to an end. The withdrawal of funds from the region increased following the Mexican currency crisis in December.

The value of F&C's Latin American Income Company, which was launched in November 1992, peaked at $48.6m in February last year but by the end of 1994 it had dwindled to about $17m. When shares in the open-ended fund were suspended on the Luxembourg stock exchange on March 7 the value of the fund stood at $12m.

The fund's board will propose its liquidation to shareholders at an annual meeting on April 24. F&C said 53 per cent of the fund was in Latin American corporate eurobonds, 40 per cent in bank eurobonds and 7 per cent in cash.

Whereas trading in Brady bonds (restructured Latin American sovereign bank debt) has remained reasonably liquid, trading in Latin American corporate eurobonds has virtually dried up.

As a result of the difficult trading conditions, the board proposes to sell the fund's assets gradually over the rest of this year and pay shareholders back in instalments. "We do not want a firesale," an F&C spokeswoman said. She added that Latin American Income Company was F&C's only open-ended fund investing in Latin American eurobonds.

The lack of liquidity in Latin American corporate eurobonds has also caught out other fund managers. Traders said there were rumours in the market that Fidelity, the big US fund manager, had a large position which it was unable to unload. Fidelity declined to comment on the rumours.

Russian oil group plans ADR issue

The president of Lukoil, Russia's largest oil company, said he hoped to secure approval from the US Securities and Exchange Commission for an American Depositary Receipt issue soon, Reuter reports.

Mr Vagit Alekperov said: "Within two to three months we hope it will all be finalised." Lukoil plans to sell 15 per cent of its shares to foreign investors through the issue.

Mr Alekperov said Lukoil required a full audit of its accounts and needed to show how it would invest the capital raised from the issue before the SEC approved the ADR issue.

Two French issuers bring retail-driven deals

By Antonia Sharpe

Two French financial institutions entered the eurobond market yesterday with retail-driven deals but there were few signs that issuance would pick up before the weekend. "The eurobond market is a desert," said one syndicate manager.

INTERNATIONAL BONDS

Crédit Local de France, one of the few triple-A rated French financial institutions, continued the recent supply in the eurodollar sector, raising $300m through an offering of eurobonds maturing in December 2000.

Some syndicate managers said that the maturity of 5¾ years, and the pricing over five-year treasuries, put off some investors.

Lead manager Paribas Capital Markets acknowledged that the deal was aggressive – it was priced to yield 16 basis points over the 7¾ per cent treasury due February 2000 – but that the deal was targeted at retail investors.

The bonds also looked favourable when compared with the offering earlier this week from Commerzbank which has an inferior credit rating.

When Crédit Local's bonds were freed to trade, the spread widened out to around 19 basis points. However, syndicate managers at the lead manager and elsewhere expected the spread to tighten in over time.

The issuer is believed to have swapped the proceeds of the offering into sub-Libor floating-rate dollars.

Paribas noted that demand from retail investors in continental Europe for eurodollar issues was likely to remain buoyant this month and next, during which redemptions of eurodollar fixed-rate paper is estimated at $8.5bn.

BNP opted for the euroguilder sector where it raised Fl 200m through an issue of five-year eurobonds. Lead manager ING Bank said BNP was a popular name among retail investors in the Benelux region and Switzerland.

The bonds were priced to yield 25 basis points over five-year Dutch government bonds but the spread widened to 28 basis points when syndicate broke. The issuer is believed to have swapped the proceeds into dollars. Favourable swap spreads in the euroguilder market are likely to encourage more financial institutions to tap this sector of the eurobond market in the near future.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BHEL, S.1995-1, C.A1(a1)★‡	913.076	(a5)	100.00	-	0.30	-	Morgan Stanley
BHEL, S.1995-1, C.A2(a2)★‡	50	(a6)	100.00	-	0.30	-	Morgan Stanley
BHEL, S.1995-1, C.B1(a3)★‡	110.381	(a7)	100.00	-	0.45	-	Morgan Stanley
BHEL, S.1995-1, C.B2(a4)★‡	30.356	(a8)	100.00	-	0.50	-	Morgan Stanley
Crédit Local de France(b)	300	7.25	99.73R	Dec.2000	0.25R	+16(7¾%-00)	Paribas Capital Markets
GUILDERS							
Banque Nationale de Paris	200	7.00	99.88R	May.2000	0.275R	+25(9%-00)	ING Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Beneficial Home Equity Loan Asset Backed Certificates. Legal maturity: 28/3/25. 10% cleanup call. Average life years: a1) 2.16; a2) 2.16; a3) 3.51; and a4) 0.40. a5) 1-mth Libor +22bp. a6) 30-day CP +25bp. a7) 1-mth Libor +35bp. a8) 1-mth Libor +25bp. b) Short 1st coupon.

Leading US groups 'had $15,000bn in derivatives'

By Richard Lapper

The leading 600 US commercial banks and trust companies had a notional amount of $15,000bn in derivatives on their books at the end of last December, according to data collected by the US Office of the Comptroller of the Currency.

The figures were made public at the annual meeting in Barcelona this week of the International Swaps and Derivatives Association, a trade body which represents dealers in the over-the-counter derivatives market. The top six banks – Chemical Bank, Citibank, Morgan Guaranty, Bankers Trust, Chase Manhattan and BankAmerica – account for some 80 per cent of the total, holding more than $12,000bn. Chemical Bank has the largest notional amount of derivatives on its books at $3,100bn.

The Comptroller is an official at the US Treasury Department and a member of the the Federal Reserve Board.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.7000	+0.450	10.22	10.02	10.23
Austria		7.500	01/05	100.2500	-0.130	7.46	7.47	7.69
Belgium		7.750	10/04	97.6000	-0.290	8.11	8.07	8.33
Canada *		9.000	12/04	100.1500	-1.250	8.97	8.51	9.10
Denmark		7.000	12/04	87.6500	-0.050	8.95	8.92	8.92
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.9700	+0.050	7.93	7.94	8.04
Germany Bund		7.375	01/05	101.3700	+0.140	7.17	7.16	7.47
Ireland		6.250	10/04	82.9000	+0.200	8.81†	8.81	8.79
Italy		9.500	01/05	79.7800	-0.790	13.25	13.14	12.01
Japan	No 119	4.800	06/99	106.2660	-	3.19	3.29	3.93
	No 174	4.600	09/04	105.5010	+0.547	3.81	3.99	4.63
Netherlands		7.750	03/05	102.7000	+0.020	7.35	7.33	7.60
Portugal		11.875	02/05	98.0000	-0.850	12.22	11.94	11.65
Spain		10.000	02/05	86.2700	-0.170	12.43	12.28	11.58
Sweden		6.000	02/05	69.0680	-0.090	11.37	11.25	10.74
UK Gilts		6.000	08/99	91-19	+5/32	8.34	8.32	8.67
		8.500	12/05	100-13	+10/32	8.44	8.40	8.71
		9.000	10/08	104-14	+10/32	8.44	8.40	8.68
US Treasury *		7.500	02/05	102-09	+5/32	7.17	7.01	7.62
		7.625	02/25	102-08	+10/32	7.44	7.29	7.73
ECU (French Govt)		8.000	04/04	84.8200	-0.130	8.46	8.42	8.46

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	9	One month	6.01	Two year	6.73
Broker loan rate	6½	Two month	5.91	Three year	6.88
Fed.funds	6	Three month	5.87	Five year	7.06
Fed.funds at intervention	-	Six month	6.14	10-year	7.23
		One year	6.37	30-year	7.48

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.28	112.18	-0.14	112.38	111.98	112,347	114,491
Sep	111.84	111.84	-0.12	111.98	111.78	1,327	5,735
Dec	111.74	111.74	-0.12	111.74	111.74	2	1,539

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS Jun	CALLS Sep	PUTS Apr	PUTS Jun	PUTS Sep
110	-	-	-	0.05	0.50	1.05
111	-	-	-	0.14	0.76	1.38
112	0.56	1.27	1.70	0.38	1.14	-
113	0.14	0.74	-	-	1.62	-
114	0.02	0.40	0.84	-	-	-

Est. vol. total, Calls 17,277 Puts 20,754. Previous day's open int., Calls 158,755 Puts 217,811.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.95	91.87	0.06	92.03	91.58	124540	185119
Sep	91.44	91.39	0.08	91.46	91.44	146	2156

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9150	0.40	0.79	1.05	1.18	0.03	0.42	0.68	1.29
9200	0.07	0.52	0.78	0.95	0.20	0.65	0.91	1.56
9250	0.01	0.33	0.57	0.75	0.64	0.96	1.20	1.86

Est. vol. total, Calls 11877 Puts 7215. Previous day's open int., Calls 160948 Puts 151013

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.00	92.88	-0.22	93.15	92.30	33374	48983
Sep		92.23	-0.17			0	37

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9250	2.11	2.75	1.73	3.02
9300	1.84	2.52	1.96	3.29
9350	1.59	2.31	2.21	3.58

Est. vol. total, Calls 1162 Puts 1688. Previous day's open int., Calls 39802 Puts 27132

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	80.73	80.64	-0.19	80.84	80.36	45,840	45,797

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102-26	102-30	0-07	103-03	102-21	2591	12679
Jun	102-31	103-04	0-07	103-12	102-24	45434	83153

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
103	0-17	1-01	1-28	2-00	0-09	0-57	1-20	2-06
104	0-01	0-36	0-61	1-35	0-57	1-28	1-53	2-41
105	0	0-18	0-38	1-12	1-56	2-10	2-30	3-18

Est. vol. total, Calls 3188 Puts 2680. Previous day's open int., Calls 36449 Puts 51808

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.06	82.00	-0.08	82.20	81.84	2,561	7,671

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	103-14	103-06	-0-08	103-16	103-04	301,368	340,511
Sep	103-00	102-25	-0-08	103-00	102-24	788	16,711
Dec	102-18	102-18	-	102-18	102-18	62	1,442

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	113.42			113.59	113.38	3193	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Mar 23	Day's change %	Wed Mar 22	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	119.59	+0.06	119.53	1.72	2.65
2 5-15 years (21)	140.63	+0.18	140.38	1.92	3.18
3 Over 15 years (9)	157.01	+0.13	156.80	1.44	4.05
4 Irredeemables (6)	181.25	+0.20	180.89	3.07	1.47
5 All stocks (60)	137.46	+0.13	137.28	1.80	3.13
Index-linked					
6 Up to 5 years (2)	189.65	+0.09	189.48	-0.15	2.57
7 Over 5 years (11)	175.68	+0.11	175.48	0.67	1.28
8 All stocks (13)	176.21	+0.10	176.03	0.59	1.40

	Low coupon yield Mar 23	Mar 22	Yr. ago	Medium coupon yield Mar 23	Mar 22	Yr. ago	High coupon yield Mar 23	Mar 22	Yr. ago
5 yrs	8.42	8.42	7.02	8.45	8.47	7.25	8.59	8.60	7.33
15 yrs	8.37	8.40	7.68	8.48	8.50	7.77	8.69	8.71	8.06
20 yrs	8.35	8.37	7.77	8.48	8.50	7.77	8.63	8.64	7.98
Irred.†	8.39	8.41	7.82						

	Inflation 5% Mar 23	Mar 22	Yr. ago	Inflation 10% Mar 23	Mar 22	Yr. ago
Up to 5 yrs	3.62	3.54	2.97	2.16	2.29	2.02
Over 5 yrs	3.87	3.86	3.45	3.67	3.69	3.26

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 23	Mar 22	Mar 21	Mar 20	Mar 17	Yr ago	High*	Low*
Govt. Secs. (UK)	91.05	91.69	92.01	91.88	91.86	97.63	107.04	89.54
Fixed interest	110.46	110.57	110.58	110.29	110.39	119.31	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 22	Mar 21	Mar 20	Mar 17	Mar 16
Gilt Edged bargains	96.0	118.0	96.5	95.2	87.9
5-day average	96.7	106.2	99.2	100.6	111.9

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.01	6.07	99⅝	—	103¼	97¼
10¼pc 1995	10.12	6.36	101⅛	—	107	101
Treas 12¾pc 1995‡‡	12.29	6.60	103¾	—	113⅝	103¾
14pc 1996	13.25	6.83	105	—	117	105
15¼pc 1996‡‡	14.04	7.05	108⅝	—	121	108
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Conversion 9½pc 2004	8.98	8.54	106	+	125	101
Treas 6¾pc 2004‡‡	7.80	8.45	86	+	105¼	84
8½pc 2005‡‡	8.48	8.43	100	+	100	97
Conv 9½pc 2005	8.93	8.52	106	+	125½	102¼
Treas 12½pc 2003-5	10.23	8.76	122	+	143	118¼
7¾pc 2006‡‡	8.18	8.44	94	+	112	90
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or -	1994/95 High	1994/95 Low
Index-Linked (b)						
2pc '96 (67.9)	1.83	3.38	205¼	+	205¼	197
4⅝pc '98‡‡ (135.6)	2.82	3.84	109	+	113	106
2½pc '01 (78.3)	3.41	3.81	168	+	176	163
2½pc '03 (78.8)	3.51	3.83	164	+	173	159
4⅜pc '04‡‡ (135.6)	3.52	3.82	109	+	118	107
[illegible]						

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92¼	92⅝		7.84
Alberta Province 7⅝ 98	1000	100⅞	101⅛		7.32
Austria 8½ 00	400	104⅝	104⅞	+⅛	7.32
Baden-Wuertt L-Fin 8½ 00	1000	102⅞	103⅛		7.39
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	102⅛	102⅜	-⅛	6.19
Volkswagen Intl Fin 7 03	1000	96⅝	97	+¼	7.56
World Bank 0 15	2000	22½	22¾		7.46
World Bank 5⅞ 03	3000	90¾	90⅞		7.35
World Bank 8⅛ 00	1250	110½	110⅞		6.29
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	93⅛	93⅜		9.25
Alliance Leics 11⅞ 97 £	100	105¼	105⅝	-⅛	8.54
British Land 8⅞ 23 £	150	89½	89⅞		10.24
Denmark 6¾ 98 £	800	94½	94¾		8.65
EIB 8 03 £	1000	94⅝	94⅞		8.94
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar slips to fresh low against Japanese yen

The dollar yesterday slipped to a fresh post-war low against the Japanese yen, but the sharp downward move that threatened never materialised, *writes Philip Gawith.*

Trade was mostly focused on the yen, which fell to a new low against the dollar of Y87.95, before recovering slightly to finish in London at Y88.15. Against the D-Mark the dollar was also weaker, finishing at DM1.4015 from DM1.4061.

Market activity was generally quiet, with trade in the dollar fairly range-bound and technically driven. There were no new figures or announcements to account for fresh weakness, save perhaps for a delayed response to the poor February US trade figures, released on Wednesday.

The market seemed to want to take the dollar below Y88, but repeated efforts failed, amid rumours that the Bank of Japan had left instructions for the Bank of England to support the dollar at these levels.

The D-Mark was generally stronger in Europe, finishing at FFr3.551, from FFr3.547, against the franc, and L1,233, from L1,219, against the lira. It lost ground against the yen, however, closing at Y62.88 from Y63.26.

Sterling was unaffected by the year-on-year growth of 3.4 per cent in retail price inflation for February, which was in line with market expectations. It gained half a cent against the dollar, finishing at $1.5937 from $1.588, but was unchanged against the D-Mark at DM2.2335 from DM2.2328.

■ Although it is more than two weeks since most currencies reached fresh lows on March 8, the calm that has since prevailed has not brought any sense of security to the market. There remains a powerful sense of inevitability that the dollar will fall further, and European currencies come under further pressure.

Mr Paul Chertkow, head of global currency research at UBS in London, said a recent canvass of investor and official opinion in the US had "reinforced my bearish view on the dollar in the short term".

He said there was a strong sense that the Treasury was not interested in intervening to support the dollar so long as US asset markets stayed firm. The dollar was also suffering from "the considerable disdain among investors about the Clinton administration's economic policies."

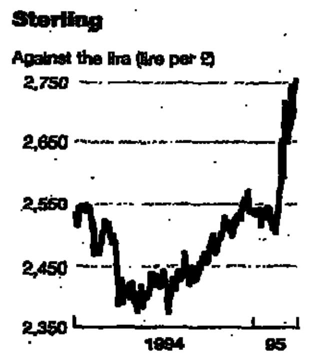
Mr Chertkow said there did not seem any reason in the short term to arrest the dollar's fall, save for a cut in the Japanese official discount rate, or concerted intervention, for which there did not appear to be an appetite.

■ Pound in New York

Mar 23	Latest	Prev. close
£ spot	1.5940	1.5885
1 mth	1.5937	1.5882
3 mth	1.5892	1.5871
1 yr	1.5815	1.5780

Sterling

Against the lira (lire per £)



Source: FT Graphite

Mr Chertkow said he did not expect the Bundesbank to cut rates to ease currency pressures. This point was emphasised by Mr Hans Tietmeyer, the Bundesbank president, who said yesterday that German monetary policy could not be guided by short-term foreign exchange moves.

The UBS analyst said: "I can't see the Bundesbank moving, and unless they do it won't have any impact on the dollar. Anything that is credible would have to involve the Bundesbank."

Mr David Cocker, economist at Chemical Bank in London, agreed. He said that while the Bundesbank had done an excellent job of persuading people that there might be a rate reduction, "there is a large difference between talking it and doing it."

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said dollar weakness could be attributed to renewed fears of "benign neglect" on the part of US financial officials. "More and more of the official comments that have smacked of a sort of return to the early part of last year when they were instrumental in talking the dollar down."

He said the stability of the bond market, in particular, appeared to have removed a constraint in terms of attitude towards the dollar. "There is a creeping suspicion with the market that White House policy is no longer interested in seeing a stable dollar/yen rate," said Mr Hawkins.

■ The Bank of England provided UK money markets with £495m late assistance, and £100m at established rates, after forecasting a £800m shortage. Cash rates remained very soft, with three month LIBOR slipping to 6 21/32 per cent, from 6¾ per cent.

The futures market continued to mark down its expectations of the heights interest rates are expected to reach. The June short sterling contract finished at 92.60, from 92.54.

■ OTHER CURRENCIES

Mar 23	£	$
Hungary	188.438 - 188.666	118.260 - 118.360
Iran	2786.32 - 2788.44	1748.00 - 1750.00
Kuwait	0.4710 - 0.4713	0.2956 - 0.2957
Poland	3.7526 - 3.7542	2.3551 - 2.3552
Russia	7734.12 - 7735.94	4852.00 - 4855.00
U.A.E.	5.8514 - 5.8548	3.6723 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7202	+0.0047	133 - 270	15.7447	15.6228	15.7078	1.0	15.674	1.2	-	-	108.6
Belgium	(BFr)	46.1432	-0.0041	162 - 702	46.2310	45.9010	46.1432	0.0	46.1282	0.1	45.7332	0.9	110.5
Denmark	(DKr)	8.9405	+0.0143	366 - 444	8.9579	8.8904	8.9505	-1.3	8.9638	-1.0	8.9154	0.3	108.6
Finland	(FM)	6.9880	+0.0254	791 - 969	7.0130	6.9350	-	-	-	-	-	-	86.5
France	(FFr)	7.9305	+0.0135	272 - 337	7.9375	7.8713	7.945	-2.2	7.9686	-1.9	7.9448	-0.2	109.4
Germany	(DM)	2.2335	+0.0007	327 - 343	2.2399	2.2189	2.2308	1.4	2.2247	1.6	2.1885	2.0	114.3
Greece	(Dr)	366.981	+1.789	833 - 130	367.906	363.264	-	-	-	-	-	-	68.5
Ireland	(I£)	0.9990	-0.0005	984 - 996	1.0028	0.9969	0.9983	0.8	0.9977	0.5	0.9991	0.0	96.1
Italy	(L)	2753.52	+31.69	061 - 642	2763.76	2709.09	2764.52	-4.8	2789.12	-5.2	2875.97	-4.4	84.5
Luxembourg	(LFr)	46.1432	-0.0041	162 - 702	46.2310	45.9010	46.1582	-0.4	46.1232	0.2	45.8132	0.7	110.5
Netherlands	(Fl)	2.5047	+0.0028	036 - 058	2.5091	2.4891	2.5021	1.2	2.4954	1.5	2.4569	1.9	110.7
Norway	(NKr)	9.9742	+0.0119	699 - 784	10.0023	9.9212	9.9649	1.1	9.9489	1.0	9.8452	1.3	98.9
Portugal	(Es)	235.374	+0.509	250 - 498	235.917	233.909	236.189	-4.1	237.879	-4.3	-	-	97.3
Spain	(Pta)	205.890	+0.184	756 - 025	206.188	204.703	206.52	-3.7	207.82	-3.4	212.245	-3.1	77.3
Sweden	(SKr)	11.6301	+0.0494	199 - 402	11.6813	11.5176	11.6322	-0.2	11.6361	-0.2	11.6478	-0.2	78.2
Switzerland	(SFr)	1.8501	-0.0023	491 - 510	1.8548	1.8380	1.8457	2.9	1.8368	2.9	1.7881	3.4	114.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.2
Ecu	-	1.2276	-0.0005	271 - 280	1.2289	1.2211	1.2283	-0.7	1.229	-0.5	1.224	0.3	-
SDR†	-	1.030000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5935	+0.0054	931 - 938	1.5991	1.5844	-	-	-	-	-	-	-
Brazil	(R$)	1.4463	+0.0115	436 - 489	1.4648	1.4370	-	-	-	-	-	-	-
Canada	(C$)	2.2412	+0.0128	402 - 421	2.2520	2.2231	2.2447	-1.9	2.25	-1.6	2.2513	-0.4	80.7
Mexico	(New Peso)	11.2675	-0.3805	857 - 493	11.3557	11.1857	-	-	-	-	-	-	-
USA	($)	1.5937	+0.0057	934 - 940	1.5994	1.5846	1.5934	0.2	1.5922	0.4	1.5815	0.8	90.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1978	+0.0091	966 - 989	2.2004	2.1966	2.2007	-1.6	2.2066	-1.6	2.2303	-1.5	79.8
Hong Kong	(HK$)	12.3217	+0.0448	186 - 248	12.3658	12.2529	12.3213	0.0	12.322	0.0	12.3153	0.1	-
India	(Rs)	50.3251	+0.2237	797 - 704	50.4690	50.0420	-	-	-	-	-	-	-
Israel	(Shk)	4.7449	+0.0374	400 - 498	4.7530	4.6867	-	-	-	-	-	-	-
Japan	(Y)	140.485	-0.686	379 - 591	141.360	140.100	139.995	4.2	138.9	4.5	132.99	5.3	163.6
Malaysia	(M$)	4.0637	+0.0151	621 - 652	4.0762	4.0403	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4604	+0.0054	586 - 622	2.4622	2.4588	2.4665	-3.0	2.4789	-2.7	2.497	-1.5	96.6
Philippines	(Peso)	41.1494	+0.1472	619 - 368	41.2368	41.0619	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9774	+0.0214	759 - 788	5.9978	5.9435	-	-	-	-	-	-	-
Singapore	(S$)	2.2548	+0.0054	535 - 560	2.2606	2.2406	-	-	-	-	-	-	-
South Africa	(R)	5.7373	-0.0013	346 - 400	5.7546	5.6984	-	-	-	-	-	-	-
South Korea	(Won)	1224.68	+6.05	437 - 499	1228.98	1212.54	-	-	-	-	-	-	-
Taiwan	(T$)	41.4338	+0.1128	236 - 440	41.5796	41.2059	-	-	-	-	-	-	-
Thailand	(Bt)	39.3644	+0.109	410 - 877	39.4730	39.1730	-	-	-	-	-	-	-

†SDR rates per £ for Mar 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	9.8640	-0.0324	615 - 664	9.9090	9.8280	9.854	1.2	9.8335	1.2	9.763	1.0	108.0
Belgium	(BFr)	28.9535	-0.1065	420 - 650	29.0370	28.8620	28.9585	-0.2	28.9685	-0.2	28.9235	0.1	110.0
Denmark	(DKr)	5.6099	-0.0111	085 - 113	5.6177	5.5937	5.6169	-1.5	5.6294	-1.4	5.6649	-1.0	107.5
Finland	(FM)	4.3848	+0.0003	800 - 895	4.4157	4.3670	4.3868	-0.5	4.3868	-0.2	4.3948	-0.2	85.5
France	(FFr)	4.9761	-0.0094	750 - 772	4.9795	4.9587	4.9851	-2.2	5.0001	-1.9	5.0161	-0.8	108.7
Germany	(DM)	1.4015	-0.0046	012 - 017	1.4048	1.3960	1.4001	1.2	1.3973	1.2	1.3845	1.2	113.2
Greece	(Dr)	230.270	+0.3	220 - 320	230.770	228.900	232.77	-13.0	237.02	-11.7	254.77	-10.6	67.9
Ireland	(I£)	1.5953	+0.0065	946 - 960	1.6010	1.5875	1.5961	-0.6	1.5986	-0.8	1.6085	-0.8	-
Italy	(L)	1727.75	+13.75	625 - 925	1733.00	1708.30	1734.5	-4.7	1749.75	-5.1	1811.75	-4.9	84.6
Luxembourg	(LFr)	28.9535	-0.1065	420 - 650	29.0370	28.8620	28.9585	-0.2	28.9685	-0.2	28.9235	0.1	110.0
Netherlands	(Fl)	1.5716	-0.0039	712 - 720	1.5761	1.5649	1.5702	1.1	1.5671	1.1	1.5537	1.1	108.9
Norway	(NKr)	6.2585	-0.015	570 - 600	6.2998	6.2415	6.252	1.2	6.2436	1.0	6.219	0.6	98.7
Portugal	(Es)	147.690	-0.21	640 - 740	147.910	147.140	148.25	-4.6	149.46	-4.8	154.44	-4.6	97.5
Spain	(Pta)	129.190	-0.36	130 - 250	129.420	128.850	129.61	-3.9	130.4	-3.7	134.365	-4.0	76.6
Sweden	(SKr)	7.2975	+0.0049	925 - 025	7.3413	7.2577	7.3113	-2.3	7.341	-2.4	7.489	-2.6	78.0
Switzerland	(SFr)	1.1609	-0.0058	605 - 612	1.1642	1.1551	1.1583	2.8	1.1536	2.5	1.1317	2.5	113.5
UK	(£)	1.5937	+0.0057	934 - 940	1.5994	1.5846	1.5934	0.2	1.5922	0.4	1.5815	0.8	84.3
Ecu	-	1.2963	+0.0052	980 - 985	1.3022	1.2954	1.2973	0.9	1.2956	0.8	1.2922	0.5	-
SDR†	-	0.64970	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	0.9998	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9075	+0.004	060 - 090	0.9200	0.9090	-	-	-	-	-	-	-
Canada	(C$)	1.4063	+0.003	059 - 066	1.4087	1.4015	1.4088	-2.1	1.4132	-1.9	1.4251	-1.3	79.7
Mexico	(New Peso)	7.0700	-0.265	200 - 200	7.1200	7.0200	7.0728	-0.4	7.0755	-0.3	7.0803	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3789	+0.0007	786 - 795	1.3872	1.3758	1.3807	-1.6	1.3856	-1.9	1.4101	-2.3	81.1
Hong Kong	(HK$)	7.7315	+0.0005	310 - 320	7.7320	7.7310	7.7303	0.2	7.7345	-0.2	7.77	-0.5	-
India	(Rs)	31.5775	+0.0275	550 - 000	31.6800	31.5550	31.6575	-3.0	31.9025	-4.1	-	-	-
Israel	(Shk)	2.9773	+0.0129	748 - 798	2.9901	2.9528	-	-	-	-	-	-	-
Japan	(Y)	88.1500	-0.75	000 - 000	89.0300	88.0500	87.86	3.9	87.24	4.1	84.135	4.6	163.2
Malaysia	(M$)	2.5498	+0.0003	493 - 503	2.5503	2.5493	2.5478	0.9	2.5454	0.7	2.5398	0.4	-
New Zealand	(NZ$)	1.5437	-0.0021	430 - 446	1.5518	1.5391	1.5475	-3.0	1.5555	-3.1	1.5788	-2.3	-
Philippines	(Peso)	25.8200	-	700 - 700	25.8700	25.7700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 508	3.7508	3.7507	3.7516	-0.3	3.7536	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.4148	-0.0017	143 - 153	1.4153	1.4138	1.4096	4.5	1.4013	3.8	1.3748	2.8	-
South Africa	(R)	3.6000	-0.0138	990 - 010	3.6090	3.5892	3.618	-6.0	3.6553	-6.1	3.8493	-6.9	-
South Korea	(Won)	768.450	+1.05	400 - 500	768.800	765.000	771.45	-4.7	774.95	-3.4	793.45	-3.3	-
Taiwan	(T$)	25.9985	-0.0223	970 - 000	26.0100	25.9970	26.0185	-0.9	26.0585	-0.9	-	-	-
Thailand	(Bt)	24.7000	-0.02	900 - 100	24.7150	24.7000	24.721	-1.0	24.7475	-0.8	24.836	-0.5	-

†SDR rate per $ for Mar 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 21. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	6⅛	6⅜	6⅝	6¾	7.40	4.50	-
week ago	6⅛	6⅝	6½	6⅜	6⅞	7.40	4.50	-
France	7⅞	8¼	8¼	8⅛	7⅞	5.00	-	8.00
week ago	7⅞	8⅛	8½	8⅜	7⅝	5.00	-	8.00
Germany	4.80	4.95	5.00	5.10	5.35	6.00	4.50	4.85
week ago	4.90	4.95	5.00	5.13	5.50	6.00	4.50	4.85
Ireland	5⅝	6⅛	7	7⅛	7⅞	-	-	6.25
week ago	5⅝	6⅛	7	7⅛	7⅞	-	-	6.25
Italy	10⅞	10⅞	10⅞	11⅞	12⅛	-	7.50	10.40
week ago	9⅞	10⅞	11⅛	11½	12	-	7.50	10.40
Netherlands	4.97	5.02	5.10	5.24	5.58	-	5.25	-
week ago	4.90	5.02	5.10	5.27	5.64	-	5.25	-
Switzerland	3⅝	3⅞	3⅝	3⅞	4⅛	6.625	3.50	-
week ago	3⅞	3⅞	3⅞	3⅞	4⅛	6.625	3.50	-
US	5⅞	6⅛	6⅜	6⅝	6⅞	-	5.25	-
week ago	5⅞	6⅛	6⅜	6⅝	6⅞	-	5.25	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅜	6⅞	-	-	-
week ago	-	6⅛	6¼	6⅜	6⅞	-	-	-
US Dollar CDs	-	5.79	6.07	6.27	6.62	-	-	-
week ago	-	5.79	6.08	6.27	6.59	-	-	-
SDR Linked Ds	-	4¼	4½	4⅝	4⅞	-	-	-
week ago	-	4¼	4½	4⅝	4⅞	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅜; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅛ - 5⅞	6⅛ - 6	6⅜ - 6¼	6⅝ - 6½	6⅝ - 6½	6⅞ - 6¾
Danish Krone	7¼ - 7	7¼ - 7	7⅝ - 7⅜	7¾ - 7½	7⅞ - 7⅝	7⅞ - 7⅝
D-Mark	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5	5⅞ - 5⅜
Dutch Guilder	5 - 4⅞	5⅛ - 4⅞	5¼ - 4⅞	5¼ - 5	5½ - 5	5⅞ - 5⅝
French Franc	8 - 7¾	8¼ - 8	8½ - 8¼	8½ - 8¼	8¼ - 8	7¾ - 7½
Portuguese Esc.	11 - 10½	10¾ - 10⅜	11¼ - 10¾	11¼ - 10⅞	11½ - 11	12 - 11½
Spanish Peseta	8¾ - 8⅝	9⅛ - 8⅞	9⅜ - 9⅞	9⅞ - 9¾	10⅛ - 10⅛	10⅞ - 10¾
Sterling	5⅞ - 5⅝	6⅛ - 5⅞	6¼ - 6⅛	6⅞ - 6⅞	7⅛ - 7	7⅞ - 7⅞
Swiss Franc	3⅞ - 3⅞	3¾ - 3⅝	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3¾	4⅛ - 4
Can. Dollar	6⅞ - 6	6⅛ - 7⅞	8⅛ - 8	8⅜ - 8⅛	8⅞ - 8⅞	8¼ - 8⅛
US Dollar	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6	6¼ - 6⅛	6⅞ - 6⅝	6¾ - 6⅝
Italian Lira	10½ - 9	10½ - 10⅜	10⅞ - 10⅞	11⅞ - 11⅞	11⅞ - 11⅞	12¼ - 12⅛
Yen	2⅛ - 2⅛	2⅛ - 2⅛	2¼ - 2⅛	2⅜ - 2⅜	2⅛ - 2	2⅜ - 1⅞
Asian $Sing	½ - ¼	1⅛ - 1	1⅞ - 1⅞	2¼ - 2⅛	2¾ - 2⅝	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.20	92.18	-0.13	92.25	92.10	40,005	57,006
Sep	93.00	92.98	-0.09	93.06	92.93	6,4562	32,855
Dec	93.18	93.14	-0.07	93.22	93.11	7,577	21,200
Mar	93.08	93.05	-0.03	93.09	93.03	2,341	17,488

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.53	+0.02			0	570
Sep		93.29	+0.02			0	364
Dec		93.08	+0.02			0	270
Mar		93.05	-0.01			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.89	94.91	+0.02	94.92	94.89	29350	202101
Sep	94.64	94.68	+0.06	94.70	94.63	30953	169036
Dec	94.32	94.40	+0.09	94.43	94.32	29800	124578
Mar	94.02	94.08	+0.09	94.10	94.02	7998	85747

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.05	88.00	-0.09	88.08	87.72	15719	39263
Sep	88.15	88.20	-0.09	88.30	87.95	3529	26027
Dec	88.18	88.34	-0.03	88.43	88.18	827	13793
Mar	88.16	88.34	-0.03	88.35	88.16	236	8120

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.18	96.22	+0.05	96.23	96.17	4780	24084
Sep	95.99	96.07	+0.09	96.07	95.99	1374	7723
Dec	95.75	95.82	+0.10	95.82	95.75	1063	6145
Mar	95.58	95.82	+0.08	95.62	95.58	344	658

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.98	93.00	+0.01	93.00	92.90	3160	9182
Sep	92.94	93.01	+0.03	93.01	92.92	651	4348
Dec	92.78	92.82	+0.03	92.84	92.75	412	2420
Mar	92.50	92.54	+0.05	92.53	92.50	191	1955

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.38	17.19	4.840	2.165	5967	5.427	21.62	510.0	446.0	25.21	4.010	2.167	4.857	3.455	304.3	2.659
Denmark	(DKr)	51.61	10	8.870	2.498	1.117	3079	2.801	11.16	263.2	230.2	13.01	2.069	1.119	2.507	1.783	157.0	1.372
France	(FFr)	58.18	11.27	10	2.816	1.260	3472	3.158	12.58	296.7	259.5	14.67	2.333	1.261	2.826	2.010	177.0	1.547
Germany	(DM)	20.66	4.004	3.551	1	0.447	1233	1.121	4.467	105.4	92.16	5.208	0.828	0.448	1.004	0.714	62.88	0.549
Ireland	(I£)	46.19	8.949	7.939	2.235	1	2756	2.507	9.984	235.5	206.0	11.64	1.852	1.001	2.243	1.595	140.5	1.228
Italy	(L)	1.676	0.325	0.288	0.081	0.036	100.	0.091	0.362	8.547	7.475	0.422	0.067	0.036	0.081	0.058	5.100	0.045
Netherlands	(Fl)	18.43	3.570	3.167	0.892	0.399	1099	1	3.983	93.97	82.19	4.645	0.739	0.399	0.895	0.637	56.07	0.490
Norway	(NKr)	46.26	8.963	7.951	2.239	1.002	2760	2.511	10	235.9	206.3	11.66	1.855	1.003	2.247	1.598	140.8	1.230
Portugal	(Es)	19.61	3.799	3.370	0.949	0.425	1170	1.064	4.239	100.	87.46	4.943	0.786	0.425	0.952	0.677	59.67	0.521
Spain	(Pta)	22.42	4.344	3.853	1.085	0.485	1338	1.217	4.846	114.3	100.	5.651	0.899	0.486	1.089	0.775	68.22	0.596
Sweden	(SKr)	39.67	7.687	6.819	1.920	0.859	2367	2.153	8.578	202.3	177.0	10	1.591	0.860	1.927	1.371	120.7	1.055
Switzerland	(SFr)	24.94	4.832	4.286	1.207	0.540	1488	1.354	5.391	127.2	111.2	6.286	1	0.541	1.211	0.862	75.89	0.663
UK	(£)	46.14	8.940	7.930	2.233	0.999	2753	2.504	9.974	235.3	205.8	11.63	1.850	1	2.241	1.594	140.4	1.227
Canada	(C$)	20.59	3.989	3.539	0.996	0.446	1228	1.117	4.451	105.0	91.83	5.190	0.826	0.446	1	0.711	62.65	0.548
US	($)	28.95	5.609	4.975	1.401	0.627	1727	1.571	6.257	147.6	129.1	7.296	1.161	0.627	1.406	1	88.08	0.770
Japan	(Y)	32.86	6.368	5.648	1.590	0.712	1961	1.783	7.104	167.6	146.6	8.283	1.318	0.712	1.596	1.135	100.	0.874
Ecu		37.60	7.288	6.463	1.820	0.814	2244	2.041	8.129	191.8	167.7	9.478	1.508	0.815	1.826	1.299	114.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7145	0.7172	+0.0021	0.7181	0.7141	27,635	54,493
Sep	0.7195	0.7195	+0.0020	0.7195	0.7193	136	1,848
Dec	0.7210	0.7211	+0.0011	0.7220	0.7210	89	370

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1346	1.1450	+0.0103	1.1470	1.1340	19,288	56,069
Sep	1.1540	1.1580	+0.0102	1.1595	1.1540	75	2,287
Dec	1.1700	1.1860	+0.0106	1.1732	1.1700	4	386

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8636	0.8681	+0.0032	0.8697	0.8636	15,432	26,156
Sep	0.8719	0.8742	+0.0024	0.8750	0.8719	172	2,282
Dec	-	0.8800	-	0.8800	-	1	130

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5860	1.5906	+0.0032	1.5910	1.5860	4,709	21,099
Sep	-	1.5880	-	1.5900	1.5840	1	152
Dec	-	1.5800	-	1.5840	-	2	11

UK INTEREST RATES

LONDON MONEY RATES

Mar 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 5	6 3/16 - 5¾	6¼ - 6⅛	6 11/16 - 6½	7⅛ - 7	7 11/16 - 7⅜
Sterling CDs	-	-	6⅛ - 6⅛	6⅝ - 6½	7⅛ - 6 15/16	7⅜ - 7½
Treasury Bills	-	-	6 - 5 15/16	6¼ - 6⅛	-	-
Bank Bills	-	-	6⅛ - 6	6 15/16 - 6⅜	6¾ - 6⅝	-
Local authority deps.	5 5/16 - 4 13/16	5 13/16 - 5 11/16	6¼ - 6⅛	6⅝ - 6½	7 - 6⅞	7⅝ - 7½
Discount Market deps	7¼ - 5¾	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.0311pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Schemes II & III 8.06pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from Mar 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.55	92.60	+0.06	92.62	92.52	23289	100938
Sep	92.18	92.22	+0.05	92.25	92.14	13677	61040
Dec	91.87	91.92	+0.04	91.96	91.85	10820	57661
Mar	91.59	91.65	+0.03	91.69	91.58	3006	39925

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9250	0.30	0.27	0.28	0.20	0.55	0.86
9275	0.16	0.18	0.19	0.31	0.71	1.02
9300	0.06	0.11	0.13	0.48	0.89	1.21

Est. vol. total, Calls 5475 Puts 8961. Previous day's open int., Calls 173199 Puts 124734

EMS EUROPEAN CURRENCY UNIT RATES

Mar 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.06823	-0.00636	-3.90	8.98	-
Germany	1.91007	1.84473	-0.00773	-3.42	8.44	-
Austria	13.4383	12.9843	-0.0548	-3.49	8.39	-
Belgium	39.3960	38.1407	-0.0704	-3.19	8.18	23
Portugal	195.792	194.415	-0.373	-0.70	5.47	5
Denmark	7.28580	7.39409	-0.00236	1.49	3.20	-10
France	6.40608	6.55084	+0.0044	2.26	2.42	-19
Ireland	0.792214	0.827283	+0.001522	4.43	0.29	-30
Spain	162.493	170.179	+0.256	4.73	0.00	-33
NON ERM MEMBERS						
Greece	292.867	303.095	+0.12	3.49	1.20	-
Italy	2106.15	2278.13	+51.02	8.17	-3.18	-
UK	0.786652	0.828687	+0.002197	5.34	-0.56	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.525	7.38	7.57	8.02	0.14	0.58	1.09
1.550	5.18	5.66	6.21	0.44	1.10	1.70
1.575	3.18	3.98	4.64	1.04	1.89	2.53
1.600	1.79	2.62	3.33	2.08	2.96	3.66
1.625	0.89	1.69	2.37	3.63	4.46	5.10
1.650	0.38	1.01	1.60	5.61	6.25	6.78

Previous day's vol., Calls 4,364 Puts 5,655 . Prev. day's open int., Calls 226,079 Puts 314,363

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.51	93.52	+0.01	93.52	93.50	60,392	518,267
Sep	93.29	93.28	-0.01	93.29	93.27	81,434	322,851
Dec	93.07	93.06	-0.01	93.08	93.05	54,116	257,173

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.05	94.08	+0.03	94.08	94.05	881	16,709
Sep	93.80	93.82	-	93.82	93.80	892	10,289
Dec	-	93.61	-0.02	-	-	1,073	9,236

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9475	0.19	0.22	0.25	0.21	0.03	0.06	0.09	0.28
9500	0.03	0.06	0.09	0.11	0.12	0.15	0.18	0.43
9525	0	0.01	0.02	0.05	0.34	0.35	0.36	0.62

Est. vol. total, Calls 3615 Puts 15993. Previous day's open int., Calls 130830 Puts 212228

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9600	0.27	0.27	0.23	0.05	0.20	0.41
9625	0.12	0.14	0.13	0.15	0.32	0.58
9650	0.04	0.06	0.07	0.32	0.49	0.75

Est. vol. total, Calls 200 Puts 200. Previous day's open int., Calls 666 Puts 485

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf.	50½#	—	117	50¼	6.31	19.8	–
9¼pc Non-Cum Pf	4¼#	—	137½	3	1.98	–	–
Cater Allen ......§†N□	457	-1	*630¼	418	149.0	7.7	9.4
Close Bros......§†N□	290xd	+4	*285½	203	230.0	4.0	11.3
Gerrard & Nat...§†N□	428	-3	515	385	204.5	7.1	12.1
Hambros ....N□	214	+6	473	195	377.9	8.8	13.1
7½pc Cv Pf	95xd	+1	191	94	122.4	9.9	–
Joseph (L)..........§†N	393	—	443	383	28.3	5.8	11.1
King & Shaxson.....§N	87	—	170	86	15.1	12.9	8.8
Kleinwort Benson.§qN□	457xd	+22	693	424	877.1	4.1	12.8
Rea Bros ....§†N□	55	—	79	53	24.1	2.0	16.2
Schroders.........§qN□	1635	+25	1574	1050	1,539	1.7	14.8
N/V ....qN	1385	+25	1458	1043	355.9	1.9	12.4
Singer & Fried....§N□	82½	—	114	75	160.2	5.4	Φ
Union ....§N□	75xd	+1	*199	70	18.9	5.0	Φ
Warburg (SG) .....§N□	733	-3	1012	589	1,612	3.8	13.4
Wintrust ....§†N	210xd	+5	390	200	17.9	6.3	14.0

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£13½	2,123	2.4	Φ
Barlow	♣	59¼	—	59¼	£3½	1,247	1.6	22.8
Gold Flds Prop R		147½	+3	152	75	18.0	7.1	Φ
MK Props		99	—	99	65	3.62	13.0	–
SASOL	♥	580	–8	597	280	3,397	2.3	–
SA Brews	†	£17⅞	–⅛	£17⅞	£10	4,839	1.6	27.9
Tiger Oats		875	+25	875	538	1,316	1.7	21.1
Tongaat-Hulett	†♣	680	—	*762	358½	628.9	2.0	20.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9961. Ring 0181-770 0770 (open 24 hours including weekends) or Fax 0181-770 3822. If calling from outside the UK, ring +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 0171-873 4378 (+44 171 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Orion Fund Limited

GUERNSEY (SIB RECOGNISED)

Hambros Fd Mgrs (CI) Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada G/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Morgan Stanley Sicav

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd (z)

CDC International

Global Asset Management - Contd.

Man International Futures - Contd.

Sabre Futures Fund

Schroder Investment Management Limited

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Early gains wiped out on new currency worries

By Terry Byland, UK Stock Market Editor

A sudden burst of uncertainty across European markets yesterday cast a cloud over the UK market's confidence in the outlook for the domestic economy.

The FT-SE 100-share Index abandoned an early gain of 30 points to close lower, as the dollar touched a new post-war low against the yen and the German stock market reacted very sharply to renewed firmness in the D-Mark.

Dealers were at a loss for a convincing explanation for the turnround in the UK market, which ended with a loss on the FT-SE 100 Index of 3.3 points at 3,136.3. At midsession the Footsie had touched 3,169.2.

However, there was little evidence of significant institutional selling when the Footsie fell back, and confidence seemed to have recovered at the close, when the Dow Jones Industrial Average had returned to its overnight level after an initial loss of 13 points.

"If London had continued to deal for another hour, we would have been in good shape," commented one leading dealer.

The first half of the session saw the stock market respond favourably to the retail price statistics for last month; the annual growth rate of 3.4 per cent was in line with expectations and both sterling and government bonds moved higher.

Share prices set off confidently towards another 1995 high, with cyclical manufacturing and financial stocks leading the way. Good results and a higher payout from Guinness sent the shares ahead, while also sustaining the market's confidence that strong dividend growth will continue to bolster equity valuations.

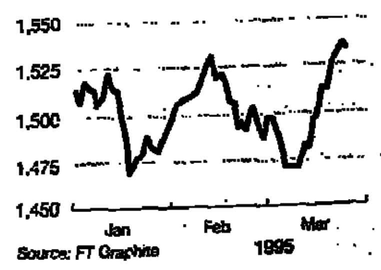
The setback, when it came, was accompanied by a similar turndown in both gilt-edged stocks and in the June future on the Footsie index. The suddenness of the fall hindered attempts to sell equities, although traders commented that some speculative holders had been shaken out. The setback was encouraged by marketmakers' willingness to cut quotations and to take on stock after three sessions of sharply rising share prices.

The setback in the German stock market, rather than the currency upset, hit UK shares. Investment portfolios were threatened by the negative implications for German export companies of further gains in the D-Mark. Currency nervousness was heightened when the German finance minister predicted a substantial rise in the budget deficit. There were also rumours that some analysts were downgrading German banking stocks.

The FT-SE Mid 250 Index, less affected by the turbulence in the blue chips than the Footsie, closed 4.1 up at 3,411.1. But the FT-SE-A 350 Index slipped back 0.9 from its 1995 peak to end at 1,555.3.

Trading volume increased to 777.2m shares through the Seaq system, compared to just under 600m on Wednesday when retail, or customer, business in equities was worth £1.6bn. Although turnover in equities has remained high, hints of an impending restructuring of the London securities industry was reflected again yesterday in sharp movements among the merchant banking issues.

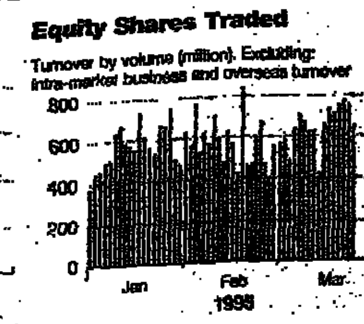
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3136.4	-3.3
FT-SE Mid 250	3411.1	+4.1
FT-SE-A 350	1555.3	-0.9
FT-SE-A All-Share	1534.70	-0.51
FT-SE-A All-Share yield	4.16	(4.16)
FT Ordinary index	2398.7	+4.7
FT-SE-A Non Fins p/e	17.05	(17.10)
FT-SE100 Fut Jun	3153.0	-7.0
10 yr Gilt yield	8.51	(8.55)
Long gilt/equity yld ratio:	2.07	(2.08)

Best performing sectors

1. Textiles & Apparel .... +2.3
2. Spirits, Wines & Cids .... +1.5
3. Banks, Merchant .... +1.3
4. Distributors .... +1.0
5. Other Financial .... +0.9

Worst performing sectors

1. Telecommunications .... -1.3
2. Extractive Inds .... -1.1
3. Food Producers .... -1.0
4. Retailers, Food .... -1.0
5. Property .... -0.9

Hanson move awaited

Conglomerate Hanson attracted heavy turnover as fierce two-way trade masked growing speculation that the old takeover giant is about to strike again.

Many analysts believe Hanson was within a hair's breadth of bidding for Yorkshire Electric when the regulator's comments on a possible pricing review forced it to pull out. It is estimated to have access to around £2bn, although it will be June before the demerger of US Industries, which reduces debt by $1.35bn, is completed.

The market's suggestions for likely bid targets have been as random as a blind dart player's score sheet, and have basically included anything that is cash generative – from a regional electricity group to a food retailer.

Yesterday, there was talk that one of the power generators was in Hanson's sights and would be attacked as soon as the share stabilisation period for the generators ended. Building materials group Redland, up 4 at 455p, was also mentioned.

On the other hand, market concern over cyclical companies has held down Hanson shares. Yesterday they finished a penny firmer at 235½p, with 11m traded.

Realisation that Glaxo, in the process of swallowing up Wellcome, is about to reclaim its position as the highest capitalised stock in the Footsie index sparked profit-taking yesterday.

Glaxo last topped the FT-SE 100 more than three years ago, but its issuance of new stock to part fund its £9bn-plus acquisition of Wellcome will boost its market capitalisation by some £3bn to around £24.3bn.

According to the company, the share issue process is not complete and the current market capitalisation remains around £21.3bn. However, with the clearance of the final bid hurdle – approval by the US SEC – the ultimate market capitalisation figure is a technicality. Official stock exchange calculations value Glaxo at £24.3bn, BT at £24bn and Shell Transport at £23.9bn. By the close Glaxo was 3½ lower at 699½p and Wellcome 2 off at 1048p.

Guinness jumped 16½ to 438p in heavy trade of 14m, making it the day's best performer in the FT-SE 100 Index, as the market celebrated the distilling and brewing giant's full-year figures which were at the top end of expectations.

Profits rose 30 per cent to £915m, against market expectations of between £894m and £920m. The stock had fallen back in recent sessions following last week's cautious comments from US rival Seagram which talked of a tough spirits market.

Several brokers moved to upgrade current year profits expectations, including Kleinwort Benson, which raised its forecast by £5m to £955m and the following year's estimate by £24m to £1.044bn. Ms Alex Oldroyd at Strauss Turnbull said she, too, would be looking to upgrade her profits forecasts and added: "If you are looking to be in the sector, Guinness is the place to be."

Mr John Wakeley at Lehman Brothers said simply: "This is not just a good result but it represents a sea change in the direction of the company's earnings." However, Mr Wakeley reduced his profits estimate for the current year by £10m, to take account of an unexpectedly large "exchange hit".

Reports of improving volumes in premium brand whiskies coming from the Guinness meeting helped to boost Allied Domecq. The shares gained 8 at 528p in trade of 2.2m.

British Petroleum delivered another good performance, edging up 3 to 424p in response to the latest uptick in crude oil prices.

Dealers said there was renewed evidence of switching operations, out of Shell Transport and into BP, but said the stock's good performance owed more to follow-through buying from the handful of buy recommendations issued by US broking houses in the past two weeks. Shell eased 1¼ to 721p on 7.6m traded.

British Borneo raced up 15 to 268p following the excellent results.

Pharmaceuticals group Medeva reached a new 1994-95 high of 215p, breaking through chart resistance at 200p for the first time since the stock plunged on a profits warning in 1993.

The shares closed 13 up at 213p on US support, which was encouraged by an apparently successful tour of US investors by the company this week.

Investors were also reassured by bullish comments from Mr Bernard Taylor, the chairman, in the annual report out this week, and German registration of a new vaccine combination, for which Medeva is supplying one component.

Chemicals group Croda recovered from what many in the market consider to be an oversold position. The shares rose 5 to 362p ahead of results due next Thursday.

BOC slipped 9 to 691p as stock washing around in the market as part of a large programme trade held back the share price.

Kleinwort Benson emerged as the top performer in a busy merchant banks sector, with the shares forging ahead to end a further 22 higher at 657p. Dealers pointed to the much higher than usual level of turnover in the stock – 2.7m shares – amid renewed speculation of takeovers or rationalisation involving the group.

S.G. Warburg, on the other hand, failed to hold an early strong rise which drove the shares up to 750p before they dipped to close a net 3 easier at 733p. Schroders put on 25 at 1535p. Smith New Court, one of the UK's biggest market-making firms, gained 8 at 462p.

Turnover in the high street banks was much reduced as the stocks gave ground on light profit-taking. TSB eased 3½ to 237½p after a low key annual meeting.

A negative review of the property sector earlier this week continued to exact a toll on MEPC, making it the day's worst performing Footsie stock in percentage terms. The shares relinquished 10 to 389p. Volume stood at 1.4m at the close.

The regional electricity stocks were quietly mixed ahead of today's expected announcement from Professor Stephen Littlechild regarding price controls.

Of the handful of winners in the sector, London moved up 7 to 620p, as did South Wales, to 660p, and Seeboard 8 to 361p.

Retailer Lloyds Chemist was once again in the doldrums as worries about the group's short term prospects continued to weigh on investors' minds. The shares closed 17 weaker at 200p on trade of 1.6m. NatWest Securities resigned yesterday as joint broker.

Better than expected figures from Spirax-Sarco Engineering prompted a squeeze in the shares, sending them up sharply by 42 to 478p, with some 700,000 dealt in the tightly traded stock by the close.

News of a higher than expected restructuring charge from Northern Foods saw the shares recede 8 to 197p. The company also forecast that 1994/95 profits would not be less than £118m. Analysts had been expecting profits in the range of £125m to £130m.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Mar 23	Mar 22	Mar 21	Mar 20	Mar 17	Yr ago	*High	*Low
Ordinary Share	2398.7	2394.0	2394.2	2361.8	2362.2	2468.5	2713.6	2238.3
Ord. div. yield	4.42	4.42	4.43	4.45	4.48	3.75	4.66	3.43
Earn. yld. % full	7.19	7.16	7.17	7.21	7.24	5.10	7.39	3.82
P/E ratio net	16.56	16.63	16.60	16.51	16.45	21.31	33.43	16.11
P/E ratio nil	16.38	16.32	16.29	16.20	16.10	22.25	30.80	15.77

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2402.7	2401.4	2407.3	2421.4	2417.5	2408.7	2404.9	2399.2	2399.1	2422.4	2395.3

	Mar 23	Mar 22	Mar 21	Mar 20	Mar 17	Yr ago
SEAQ bargains	34,541	32,125	36,639	30,953	29,997	41,821
Equity turnover (£m)†	-	1598.3	1824.2	1772.9	1592.7	2007.5
Equity bargains†	-	45,555	49,275	43,811	41,468	48,173
Shares traded (m)†	-	653.2	758.9	779.2	766.7	624.1

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	637	Total Highs	25	Total contracts	40,984
Total Falls	644	Total Lows	97	Calls	21,512
Same	1587			Puts	19,472

March 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3164.0	3153.0	-6.0	3188.0	3143.0	16586	61510
Sep		3176.0	-6.0			0	1050

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3425.0	3434.0	+9.0	3432.0	3425.0	93	4093

■ FT-SE 100 INDEX OPTION (LIFFE) (*3137) £10 per full index point

	2950		3000		3050		3100		3150		3200		3250		3300	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Apr	194	4	147	9	105	16½	70	31	43	53½	22	84	9½	123½	5	166
May	212½	15½	170½	23½	134	36½	101	53	71½	73½	50	102	32½	135	19½	173
Jun	223½	23½	186	35	148	49½	118½	68	89½	88½	68	116½	48	147½	34	163½
Jul	240	32½	204½	46	170½	61½	142	82	113½	104	93	132½	67	162	57	197½
Dec†			261½	86½			221	123½			169½	171½			123	227

Calls 5,615 Puts 5,874

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975		3025		3075		3125		3175		3225		3275		3325	
Apr	179	6	127	13	89	25	58½	42	33	68½	16	101	8	143	3½	187½
May	191½	19½	152	29	118½	43	85½	62	60	86	40½	115½	25½	150	15	189½
Jun	207½	32½	170	44	136	59	105½	78	79	100½	57	127½	38	159	26½	195
Sep			228½	74			158	109			106	153½			86	210
Dec†			270	93			209	127			156½	170			111½	220

Calls 2,224 Puts 6,995 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	517.3	167	154	Albright & Wilson	165		RN6.0	1.5	4.5	18.3
-	F.P.	18.4	201	175	Beale	180		HN5.9	-	4.1	-
-	F.P.	29.0	128	123	Colleagues	128		-	-	-	-
§128	F.P.	15.6	135	130	Dailywin	130		RN6.0	2.2	5.8	8.8
§130	F.P.	45.7	138	136	Datrontech	136		N-	-	-	15.6
100	F.P.	30.0	101	100	Geared Inc Inv C	100		-	-	-	-
§135	F.P.	16.2	138	118	Golden Rose	121	-1	-	-	-	-
100	F.P.	161.6	101	95	HTR Inc Gth Sp Inc	101		-	-	-	-
100	F.P.	94.0	105	102	Do. Zero Div Pf	104½	-½	-	-	-	-
-	F.P.	9.40	20	17	Inv Cap Warrants	19		-	-	-	-
-	F.P.	21.6	67	63	Inv Tst of Inv Tsts	64		-	-	-	-
-	F.P.	2.91	59	55	Do. Warrants	56		-	-	-	-
-	F.P.	0.36	5	3	Melrose Warrants	3½		-	-	-	-
100	F.P.	23.5	95	90	Montanaro UK Sm	94		-	-	-	-
-	F.P.	2.15	48	43	Do. Warrants	43		-	-	-	-
476	170	6,070.3	193	163½	*Nat'l Power (P/P)	167½	-3	FN15.45	2.8	4.1	13.0
512	185	4,038.9	206	176½	*PowerGen (P/P)	187½	-3	FN15.0	3.2	3.6	11.1
-	F.P.	79.9	505	493	Schroder I G Uts	505	+10	-	-	-	-
50	F.P.	3.57	50	46	Superframe	46	-1	RN2.0	1.6	5.4	11.3
-	F.P.	0.04	8	7	Do. Warrants	7		-	-	-	-
-	F.P.	24.3	102	100	Throg DI Zero Pf	102		-	-	-	-
145	F.P.	63.1	183	170	Zotefoams	174		W4.85	2.1	3.3	17.6

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 22	% chg on day	Mar 21	Mar 20	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	1821.42	-1.4	1846.55	1857.33	2090.67	2.32	2387.90	1637.91
■ Regional Indices								
Africa (16)	2550.95	-4.0	2656.94	2657.41	2967.00	5.31	3711.87	2304.45
Australasia (7)	2078.59	-0.9	2097.28	2092.99	2537.14	2.00	2951.49	1788.20
North America (11)	1575.88	0.0	1576.56	1593.12	1773.74	0.83	1911.21	1348.18

 † Partial.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Mar 23	Day's chge%	Mar 22	Mar 21	Mar 20	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3136.4	-0.1	3139.7	3135.0	3124.2	3121.7	4.35	7.87	15.33	32.21	1210.12
FT-SE Mid 250	3411.1	+0.1	3407.0	3406.7	3391.0	3795.7	3.75	6.75	17.86	20.44	1292.92
FT-SE Mid 250 ex Inv Trusts	3418.3	+0.1	3414.6	3413.6	3398.0	3811.9	3.90	7.31	16.60	20.69	1293.88
FT-SE-A 350	1555.3	-0.1	1556.2	1554.4	1548.6	1588.3	4.22	7.62	15.83	14.49	1226.79
FT-SE-A 350 Higher Yield	1567.8	-0.1	1569.3	1567.3	1563.0	1594.5	5.20	8.46	14.18	19.29	1019.23
FT-SE-A 350 Lower Yield	1542.9	—	1543.1	1541.3	1533.9	1541.9	3.07	6.64	18.33	9.67	1023.62
FT-SE SmallCap	1699.86	+0.2	1695.77	1694.35	1689.24	1959.44	3.53	5.29	23.57	10.68	1336.99
FT-SE SmallCap ex Inv Trusts	1677.84	+0.2	1673.98	1671.82	1667.57	1936.28	3.75	5.92	21.35	10.16	1323.85
FT-SE-A ALL-SHARE	1534.70	—	1535.21	1533.44	1527.85	1581.44	4.16	7.44	16.24	13.94	1230.72

■ **FT-SE Actuaries All-Share**

	Mar 23	Day's chge%	Mar 22	Mar 21	Mar 20	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2695.58	—	2695.02	2697.03	2691.17	2524.07	3.81	6.65	18.82	20.88	1096.84
12 Extractive Industries(7)	3573.48	-1.1	3612.34	3583.42	3559.15	3958.75	3.94	7.72	16.16	76.59	1007.58
15 Oil, Integrated(3)	2699.73	+0.2	2694.49	2703.03	2700.98	2430.00	3.91	8.95	17.92	11.39	1119.64
16 Oil Exploration & Prod(14)	1908.23	+0.6	1896.89	1887.44	1874.89	1817.08	2.64	1.48	80.00†	27.14	1120.14
20 GEN INDUSTRIALS(279)	1837.79	+0.5	1828.89	1830.80	1826.50	2105.14	4.29	6.60	18.38	17.36	954.43
21 Building & Construction(38)	947.47	+0.5	942.56	951.57	948.61	1346.99	4.16	7.28	17.68	7.53	754.14
22 Building Matls & Merchs(31)	1758.33	+0.3	1752.80	1759.91	1743.81	2195.71	4.40	6.35	19.13	1.22	837.43
23 Chemicals(23)	2201.56	+0.2	2197.27	2192.00	2181.06	2473.65	4.34	5.66	21.19	29.06	997.20
24 Diversified Industrials(17)	1798.66	+0.7	1785.41	1783.63	1786.55	2119.43	5.30	7.41	16.32	33.96	949.31
25 Electronic & Elect Equip(37)	1937.92	+0.2	1934.24	1930.92	1921.34	2039.07	3.74	6.81	17.46	5.94	960.61
26 Engineering(72)	1785.65	+0.4	1778.84	1785.29	1782.13	1932.86	3.45	6.25	19.29	12.74	1036.86
27 Engineering, Vehicles(13)	2149.05	+0.3	2143.19	2152.61	2133.97	2274.73	4.25	3.39	38.69	24.92	1064.35
28 Paper, Pckg & Printing(27)	2758.48	+0.5	2744.25	2742.82	2753.56	2901.94	3.44	7.65	15.74	13.27	1097.45
29 Textiles & Apparel(21)	1467.21	+2.3	1433.62	1432.01	1427.59	1808.39	4.71	7.24	17.94	6.68	843.96
30 CONSUMER GOODS(94)	2943.02	-0.2	2947.79	2939.56	2923.70	2732.14	4.40	6.69	18.37	36.58	1035.93
31 Breweries(18)	2179.20	+0.8	2161.87	2161.93	2142.70	2182.98	4.40	8.46	14.26	11.98	996.40
32 Spirits, Wines & Ciders(10)	2636.82	+1.5	2597.49	2608.36	2580.97	2891.23	4.40	7.98	15.52	26.30	900.32
33 Food Producers(24)	2396.99	-1.0	2421.84	2413.05	2404.80	2298.75	4.20	7.81	15.51	15.08	1026.46
34 Household Goods(10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Other Services & Business	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE	1534.70	—	1535.21	1533.44	1527.85	1581.44	4.16	7.44	16.24	13.94	1230.72
FT-SE-A Fledgling	951.82	+0.2	949.95	949.41	949.21	-	3.09	-	5.61	957.33	
FT-SE-A Fledgling ex Inv Trusts	949.32	+0.2	947.06	946.93	946.60	-	3.27	-	5.70	954.88	

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	1,400	362	-2
ASDA Group†	28,000	73¼	+¼
Abbey National†	1,800	458	-2
Albert Fisher	985	42	
Allied Domecq†	2,200	528	+8
Anglian Water	333	468	-2
Argos	2,200	385½	+3
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 23 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 23 / Frs.)

[illegible]

CZECH REP (Mar 23 / Koruns)

[illegible]

DENMARK (Mar 23 / Kr)

[illegible]

FINLAND (Mar 23 / Mkk)

[illegible]

FRANCE (Mar 23 / Frs.)

[illegible]

GERMANY (Mar 23 / Dm.)

[illegible]

GREECE (Mar 23 / Drachma)

[illegible]

ITALY (Mar 23 / Lire)

[illegible]

NETHERLANDS (Mar 23 / Fls.)

[illegible]

NORWAY (Mar 23 / Kroner)

[illegible]

POLAND (Mar 22 / Zloty)

[illegible]

PORTUGAL (Mar 23 / Escudo)

[illegible]

SPAIN (Mar 23 / Pts.)

[illegible]

SWEDEN (Mar 23 / Kronor)

[illegible]

SWITZERLAND (Mar 23 / Frs.)

[illegible]

TURKEY (Mar 23 / TL Unt)

[illegible]

PACIFIC

JAPAN (Mar 23 / Yen)

[illegible]

HONG KONG (Mar 23 / H.K.$)

[illegible]

INDONESIA (Mar 23 / Rupiah)

[illegible]

MALAYSIA (Mar 23 / MYR)

[illegible]

NEW ZEALAND (Mar 23 / NZ $)

[illegible]

SINGAPORE (Mar 23 / S$)

[illegible]

AUSTRALIA (Mar 23 / Aust$)

[illegible]

SOUTH KOREA (Mar 23 / Won)

	Price	+/-	High	Low	Yld	P/E
HyEngC	38,100	+600	41,000	32,300	0.1	—
KorEP	28,100	—	28,300	23,200	1.8	—
KFstBk	8,210	−90	10,900	8,010	—	—
KMTele	448,900	−1,100	[illegible]	[illegible]	—	—
LG Ele	31,800	+500	32,500	25,300	—	—
PohgSt	68,000	+500	68,700	53,900	1.0	—
SamElc	115,300	+3,000	117,700	77,459	0.2	—
SamgHI	30,500	+100	32,500	23,900	1.6	—
Yukong	34,300	−200	37,400	30,800	1.6	—

TAIWAN (Mar 23 / TW $)

	Price	+/-	High	Low	Yld	P/E
CL Ins	175	−2	203	174	—	—
CH Bok	172	—	196	164	—	—
ChiDev	134	−1	148	120	—	—
ChiStl	27.40	+.10	33.50	26.40	—	—
FratBk	173	−1	189	160	—	—
NYPstc	54	−.50	65	53	—	—
ShK Li	99	—	114	98	—	—
TatScd	168	+1	187	136	—	—

THAILAND (Mar 23 / Baht)

	Price	+/-	High	Low	Yld	P/E
Advinf	330	—	352	284	—	—
BgkBnk	212	+2	262	193	—	—
BgkLnd	34.25	+1	82.50	31.50	—	—
DnSiam	130	—	152	110	—	—
FinOne	129	−2	156	108	2.7	—
KrThBk	70	—	82.50	70	—	—
LndHou	430	+8	480	300	—	—
PhThan	161	+1	198	140	—	—
SiamCm	1,462	—	1,534	1,240	—	—
SiamCl	366	+2	436	328	—	—
SiamCm	208	−2	248	181	—	—
TeleAs	92	+1	94	88	—	—
ThaiFm	206	−6	228	173	3.2	—

AFRICA

SOUTH AFRICA (Mar 23 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Mar 23 / Can $)

4 pm close

[illegible]

MONTREAL (Mar 23 / Can $)

4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

	Mar 23	Mar 22	Mar 21	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	12621.0	12591.26	25478.40	16/2/94	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	1890.9	1892.4	1914.7†	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	827.8	825.6	837.4	1136.10	3/2/94	785.30	8/2/95
Austria							
Credit Aktien(30/12/84)	361.15	364.16	367.37	460.66	2/2/94	361.15	23/3/95
Traded Index(2/1/91)	957.12	977.58	986.16	1222.25	1/2/94	957.12	23/3/95
Belgium							
BEL20 (1/1/91)	1285.24	1299.38	1308.08	1542.65	9/2/94	1271.53	9/3/95
Brazil							
Bovespa (29/12/83)	(u)	30039.0	30061.0	55116.00	13/9/94	3800.90	3/1/94
Canada							
Metals Mints♦(1975)	(u)	4049.57	3955.58	4326.87	18/1/95	3290.06	20/4/94
Composite♦ (1975)	(u)	4263.20	4246.20	4609.90	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2116.46	2106.14	2182.69	1/2/94	1868.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5232.1	5211.6	5754.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	340.24	341.88	342.28	415.79	2/2/94	335.68	20/12/94
Finland							
HEX General(28/12/90)	1596.8	1631.1	1672.8	1972.00	4/3/94	1596.89	23/3/95
France							
SBF 250 (31/12/90)	1187.48	1198.04	1198.15	1585.20	2/2/94	1154.41	13/3/95
CAC 40(31/12/87)	1795.66	1817.98	1813.78	2355.93	2/2/94	1721.80	13/3/95
Germany							
FAZ Aktien(31/12/58)	734.89	736.81	741.17	858.27	18/5/94	734.89	23/3/95
Commerzbank(1/12/53)	2096.5	2102.0	2114.6	2485.50	2/5/94	2096.50	23/3/95
DAX (30/12/87)‡	1936.07	1982.66	1982.95	2271.11	16/5/94	1936.07	23/3/95
Greece							
Athens SE(31/12/80)	806.84	810.35	804.30	1194.58	18/1/94	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	8467.67	8509.11	8580.31	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3293.77	(c)	(c)	4628.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	426.25	425.92	427.19	612.89	5/1/94	425.22	14/3/95
Ireland							
ISEQ Overall(4/1/88)	1828.80	1825.57	1826.99	2092.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	587.99	602.83	598.58	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	929.0	952.0	945.0	1318.00	10/5/94	929.00	23/3/95
Japan							
Nikkei 225 (16/5/49)	15813.41	15604.86	(c)	21552.81	13/6/94	15813.41	23/3/95
Nikkei 300 (1/10/82)	230.13	232.97	(c)	311.71	13/6/94	230.13	23/3/95
Topix (4/1/68)	1249.09	1265.10	(c)	1712.73	13/6/94	1249.09	23/3/95
2nd Section (4/1/68)	1627.98	1658.39	(c)	2542.65	6/7/94	1627.98	23/3/95
Malaysia							
KLSE Comp.(4/4/86)	957.05	959.20	964.84	1314.46	5/1/94	849.97	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1591.16	(c)	2881.17	8/2/94	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	422.9	426.7	427.5	454.80	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	265.2	267.7	268.1	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1937.41	1950.44	1961.36	2430.84	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1054.17	1061.86	1068.50	1211.16	28/2/94	880.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2275.32	2294.04	2308.60	3308.37	4/1/94	2268.37	15/3/95
Portugal							
BTA (1977)	2720.0	2723.5	2720.4	3228.60	18/2/94	2612.80	30/6/94
Singapore							
SES All-S'pore(2/4/75)	500.51	500.84	503.55	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1404.5♥	1397.9	(c)	2534.00	7/9/94	1387.09	22/3/95
JSE Indl. (28/9/78)	6650.8♥	6679.5	(c)	6984.49	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	947.27	941.77	946.07	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	264.06	266.57	267.57	358.31	31/1/94	264.06	23/3/95
Sweden							
AffarsvardnGen (1/2/37)	1446.4	1460.2	1473.4	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1187.08	1195.93	1194.73	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	878.16	885.56	886.05	1093.29	31/1/94	878.58	13/3/95
Taiwan							
WeightedPr.(30/6/66)**	6441.85	6479.01	6524.87	7191.13	1/11/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1208.13	1210.13	1184.11	1753.73	4/1/94	1135.69	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	35928.2	36008.0	35316.5	36008.00	22/3/95	12889.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	623.4*	625.4	628.6	649.90	2/11/94	591.50	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1228.24	1250.31	1248.99	1540.19	31/1/94	1222.41	13/3/95
Euro Top-100 (26/6/90)	1138.59	1149.70	1150.38	1311.01	2/2/94	1117.34	9/3/95
JCapelDrgns (31/12/88)	(u)	302.81	304.54	395.19	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	127.31	128.79	126.31	191.79	26/9/94	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Mar	1816.0	1808.0	-17.0	1825.0	1790.0	29,130	28,890
Apr	1828.5	1818.5	-17.0	1834.5	1805.0	4,686	10,734
DAX							
Jun	1990.00	1932.50	-57.5	1994.5	1921.0	32,500	98,075
Sep	2011.00	1956.50	-58.0	2017.0	1947.5	81	1,730
OMX							
Mar	1123.00	1119.00	-7.75	1123.00	1118.00	2,529	10,690
Apr	1120.00	1116.50	-10.50	1125.00	1114.00	8,243	17,242
SOFFEX							
Apr	2500.0	2486.5	-17.5	2506.0	2477.0	6,178	17,196
Jun	-	2452.0	-	-	-	1	5
S&P 500							
Jun	499.35	498.30	-1.05	499.60	498.15	62,630	189,878
Sep	-	502.70	-0.80	503.00	502.70	107	5,885
Nikkei 225							
Jun	15950.0	15790.0	-280.0	15960.0	15670.0	34,634	119,997
Sep	16000.0	15950.0	-340.0	16000.0	15950.0	2	13

Open interest figures for previous day.

** Sat Mar 18: Taiwan Weighted Price 6587.96; Korea Comp Ex 951.34. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 23 - 1935.08 -42.89

US INDICES

Dow Jones	Mar 22	Mar 21	Mar 20	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4082.99	4072.61	4083.68	4083.68 (20/3/95)	3593.35 (4/4/94)	4083.68 (20/3/95)	41.22 (2/7/32)
Home Bonds	97.83	97.84	97.49	105.81 (21/1/94)	93.56 (30/12/94)	105.77 (18/10/93)	54.99 (1/10/81)
Transport	1580.55	1586.37	1597.32	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	185.88	185.61	186.07	227.06 (3/1/94)	173.94 (22/11/94)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4107.54 (4122.41) Low 4039.07 (4048.67) (Theoretical♦)
Day's high 4082.99 (4109.27) Low 4060.85 (4082.24) (Actual♦)

Standard and Poors	Mar 22	Mar 21	Mar 20	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	495.67	495.07	496.15	496.15 (20/3/95)	438.92 (4/4/94)	496.15 (20/3/95)	4.40 (1/6/32)
Industrials♥	591.10	590.50	590.89	591.10 (22/3/95)	510.05 (21/4/94)	591.10 (22/3/95)	3.62 (21/6/32)
Financial	45.66	45.53	45.79	48.94 (14/8/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	267.80	267.58	268.05	268.86 (20/3/95)	243.14 (4/4/94)	268.86 (20/3/95)	4.46 (25/4/42)
Amex Mkt Val	456.15	455.65	456.18	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	808.10	809.78	810.49	810.49 (20/3/95)	693.79 (24/6/94)	810.49 (20/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 17	Mar 10	Mar 3	Year ago
Dow Jones Ind. Div. Yield	2.69	2.70	2.73	2.62

	Mar 22	Mar 15	Mar 8	Year ago
S & P Ind. Div. yield	2.33	2.33	2.36	2.44
S & P Ind. P/E ratio	17.60	17.60	17.32	26.62

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Ford Motor	5,876,700	25	−⅛
Telefonos	4,703,000	26¼	+¼
Motorola	4,292,600	54⅝	+1
RJR Nabisco	4,198,100	6⅛	—
Kmart	4,058,200	13	—
Merck	3,338,800	44⅜	−⅜
Toys R Us	3,192,500	24⅞	−¼
Chrysler	2,861,900	38⅛	+⅛
Philip Morris	2,807,100	66½	−⅜
BankAmerica	2,506,200	48⅝	+1⅛

■ TRADING ACTIVITY

● Volume (million)

	Mar 22	Mar 21	Mar 20
New York SE	313.712	367.902	301.723
Amex	15.147	16.343	16.347
NASDAQ	286.855	304.942	249.704
NYSE			
Issues Traded	2,940	2,970	2,955
Rises	969	965	1,058
Falls	1,136	1,199	1,089
Unchanged	835	806	808
New Highs	42	98	70
New Lows	34	32	35

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, March 23, 1995

	Stocks Traded	Closing Prices	Change on day
Hachijuni Bank	14.3m	1120	+20
Nissan Motor	11.2m	641	+11
Gunma Bank	9.9m	991	-9
General Sekiyu	9.5m	904	−8
Keihin E Expr	6.1m	566	+1
Sagami Railway	4.9m	436	−4
Nip Steel	4.2m	306	−6
JGC Corp	4.1m	1460	−20
Tobu Railway	3.7m	560	+2
Yamaha Motor	3.4m	729	−1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 23

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	12⅝	AAR	0.48	3.8	21	107	12⅞	d12⅝	12¾	
23¼	19¼	ALPharmaA	0.18	0.8	287	1293	23	22½	23	+⅜
38¼	35	AMP	0.92	2.5	21	7058	37⅜	36⅞	37	+⅛
63¾	53⅜	AMR			27	3857	62¾	61⅝	62	-⅞
47⅞	41⅞	ASA	1.71	3.7	30	1076	46	45½	46	+½
38⅜	30¾	AbbtL	0.84	2.2	20	11848	38⅛	37¾	38⅛	+⅛
14	12	Abitibi Pr	0.50	3.6	12	143	13¾	13¾	13¾	
24⅜	22	ABM Ind	0.60	2.7	13	219	22¼	d22	22¼	+¼
16⅝	14¼	Acptncsin			8	212	14⅜	d14¼	14⅜	
25⅞	21⅞	ACE Ltd	0.44	1.8	7	312	24¼	23¾	24	+⅛
9¾	8½	ACM Gvt In	0.80	10.7	7	842	8½	d8¼	8⅜	-¼
7½	6½	ACM GvOpp	0.66	9.6		11	7	6⅞	6⅞	-⅛
7½	5¾	ACM Gvt Sp	0.75	12.0		374	6¼	6⅛	6¼	+⅛
8⅝	7⅛	ACM Gvt Se	0.90	11.8		406	7⅝	7½	7⅝	+⅛
8½	7⅝	ACM Man	1.08	13.9		265	7⅞	7¾	7¾	
7⅝	7⅛	ACM Managd	0.72	9.9		212	7¼	7¼	7¼	
16¼	10¼	AcmeClv	0.48	3.0	9	130	16	15⅝	15¾	+⅛
21½	12⅜	Acme Elect			20	100	17⅞	17⅜	17¾	+¼
34½	31⅜	Acordia	0.72	2.2	16	28	32⅜	32⅛	32⅜	-⅛
11⅜	8⅝	Actava	0.35	3.6	7	228	10¼	10	10⅛	+⅛
16¾	11⅝	Acuson			19	131	11⅞	11¾	11⅞	+⅛
16⅝	15⅝	Adams Expr	0.36	2.2	0	158	16⅜	16¼	16⅜	+⅛
68½	53	Ad Micro	3.00	4.5		66	66	66	66	
35⅝	25	AdvMic	3.00	8.6	11	12213	35¼	33¼	35	+1¾
6⅜	5	Advest Grp	0.16	2.8	28	16	5¾	5⅝	5¾	
19¼	18½	Advo Inc	0.10	0.5	15	35	18¾	18½	18⅝	
70⅞	63⅞	Aegon ADR	1.47	2.1	13	10	68¾	68½	68¾	-⅝
4⅜	3⅛	Aerflx			5	159	4⅛	4	4⅛	
58½	46¾	AetnaL	2.76	5.0	13	4365	56⅛	55½	55¾	-¼
41⅛	31⅞	Aflac	0.46	1.1	14	3394	u42¾	40⅞	42¼	+1¼
18⅝	16	AhmnsA	0.88	5.0	10	2249	18	17½	17¾	-¼
1⅜	[illegible]	Aileen Inc			0	355	[illegible]	[illegible]	[illegible]	
50⅛	43⅞	AirPrC	0.96	2.0	22	1125	48⅞	48⅝	48¾	
24¼	18¾	Airbne Frt	0.30	1.6	10	463	19½	19	19	-⅜
26½	19⅝	Airgas Inc			29	212	26⅛	25½	25¾	-⅜

Continued on next page

4 pm close March 23

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
11⅝	10⅝	Salomon Br	0.38	3.3	23	162	11½	11⅜	11⅜	-⅛
40⅛	32⅞	Salomn	0.64	1.9	8	1613	33⅝	32¾	32⅞	-⅜
21⅝	19⅛	SnDgGE	1.58	7.8	17	1041	20⅛	20⅛	20⅛	-⅛
10	8	SantaFeERs	0.16	1.7	160	1977	9¾	9½	9⅝	-⅛
12¾	9	SFeGd			25	4924	11⅞	11½	11½	-⅛
36¾	33¼	SFePPipo	2.80	7.7	9	175	36½	36	36⅜	+⅜
23⅛	17⅛	SanFeP	0.10	0.4	21	2930	22⅜	22¼	22⅜	
27¾	24¾	SaraLee	0.68	2.5	66	6653	27½	27	27½	+⅝
45⅛	41⅛	Scana Corp	2.88	6.9	13	299	41⅝	d41⅛	41½	+¼
16¾	14½	Scecrp	1.00	6.4	10	3137	15⅞	15⅝	15⅝	-¼
11¼	8¼	SchwkA	0.25	3.0	30	146	8⅝	d8⅛	8⅝	+⅛
48¼	42¾	SchererRP			30	254	u49	47¼	49	+1⅜
79⅝	71	SchrPl	2.04	2.6	15	4392	77⅜	76⅜	77	+⅛
59¼	50⅛	Schimb	1.20	2.0	26	5507	59¼	58⅛	58⅝	+¼
32⅝	22⅛	SchwabC	0.24	0.8	20	1076	31⅜	30⅜	31¼	
10⅞	7¾	Schwitzer			8	34	10⅛	9⅞	10⅛	+¼
24½	17½	SciAtl	0.06	0.2	30	1592	24⅜	23⅞	24	
18⅝	16⅞	Scotsman	0.10	0.6	12	23	18	17⅞	18	
88⅝	67⅛	ScottP	0.80	0.9	24	5508	u88⅞	87⅜	88¼	
32¾	26⅞	Scripps	0.44	1.4	19	175	31¼	31	31	-¼
21½	14⅜	ScudrNAsF	0.02	0.1		48	15¼	15⅛	15⅛	
9¼	8¾	ScuddrNEuF	0.16	1.8		410	9	8⅞	9	
14⅞	13⅜	SeaCnB	0.70	4.8	9	3	14½	14½	14½	
18	14¾	SeaC1.4625	1.46	9.8		26	14⅞	d14⅝	14⅞	
28	23⅝	S'gate			7	5548	26	25¾	26	
31⅞	28⅜	Seagrm	0.60	1.9	14	2553	u31⅞	31⅜	31¾	+⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close March 23

[illegible]

4 pm close March 23

AMEX COMPOSITE PRICES

[illegible]

AMERICA

Technology stocks lift as Dow recovers

Wall Street

US shares started the day in negative territory as the dollar fell to a record low against the Japanese yen, but by late morning the market became more positive as the US currency bounced off its bottom, sending the bond market higher, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 0.69 higher at 4,083.68. The Standard & Poor's 500 gained 0.21 at 495.88, while the American Stock Exchange composite improved 1.56 to 457.71. The Nasdaq composite rose 2.57 to 811.67. Volume on the NYSE was 180m shares.

A sinking dollar exerted only mild restraint on other financial markets, bringing both the bond and equity markets down slightly through the early morning. As the currency gained, however, both markets turned positive with the long bond up nearly a quarter of a point in the early afternoon.

Once again, the technology sector was especially strong yesterday with the Nasdaq, which is heavily weighted toward technology shares, outperforming other indices and the Pacific Stock Exchange technology index up more than 0.6 per cent.

Among the companies leading the Nasdaq higher were Microsoft, which added to gains made recently on news that the software company would team up with the Hollywood studio DreamWorks SKG to make interactive multimedia software; Lotus Development, which said it would take its fight against Borland International to the US Supreme Court; and Broderbund Software, which reported second quarter earnings more than 40 per cent higher than the median analyst estimate. Microsoft rose $2 3/16 at $73⅜, Lotus gained $1⅛ at $41⅛ and Broderbund was $2⅝ higher at $56. Meanwhile Borland lost $⅛ at $8⅝.

Analyst recommendations and earnings estimates influenced the prices of several companies yesterday.

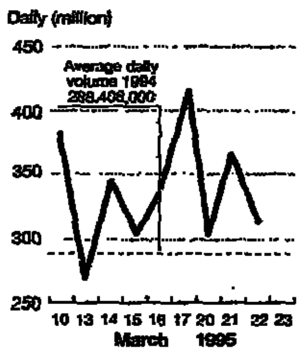
IBM, which trades on the NYSE, gained $⅝ at $82⅝ after an analyst at Morgan Stanley raised his first quarter earnings estimate for the computer maker.

Coca-Cola lost $1⅛ at $57⅞ in part because an analyst at NatWest Securities downgraded his rating of the company's stock.

Aztar added 10 per cent as the shares jumped $¾ at $8¼ after reports that a Salomon Brothers analyst had said that the riverboat casino company was one of his favourite small cap stocks.

Shares in several Mexican companies gained as the peso strengthened against the dollar in intraday trading. The benchmark Telmex was $⅝ higher at $26⅛, Grupo Televisa gained $⅝ at $14⅝ and Empresas ICA was $⅝ higher at $4⅛.

NYSE volume



Canada

Toronto was higher at midday, helped by steady gains for conglomerates and gold shares. The TSE-300 composite index was 8.5 ahead at 4,271.70.

Among gold stocks, Barrick Gold improved C$⅝ to C$33⅛, while conglomerates were led by a recovery in Canadian Pacific, which moved ahead C$⅛ to C$20⅞ as Canada's national rail strike moved into its sixth day.

The telecommunications group Northern Telecom advanced C$1 to C$54½ followings news that the company was to be awarded a letter of intent to be a primary supplier for a Pacific Bell's video network in California.

Brazil extends gains

São Paulo extended early gains and traded 2.8 per cent higher at midday as investors welcomed testimony from the central bank president Mr Persio Arida to congress denying fresh allegations of government leaks of privileged information on Brazil's new foreign exchange policy.

The Bovespa index was up 851 to 30,890 at 1 pm in a moderate turnover of R$102m ($112.3m).

Preferred stock in Telebras, the state telecom company, rose 3.3 per cent to R$24.70.

MEXICO CITY was higher in late morning trade amid unusual calm in the foreign exchange markets. The IPC index firmed 10.68 to 1,601.84.

Among the best performers, Coca-Cola Femsa L rose 6.6 per cent, Maseca, the tortilla maker, was 5.3 per cent ahead and Grupo Financiero Bancomer B rose 5.3 per cent. Telmex was unchanged and Desc B fell 1.3 per cent.

Strong rand hurts S Africa

Johannesburg was mixed as a strong rand hampered any significant attempt at recovery following the steep falls in gold shares on Wednesday.

The overall index finished 7.7 softer at 5,260.3 after trading in a 12-point range, the gold shares index recouped 6 at 1,403.9 after the previous day's 73.4 fall, and industrials declined 28.7 to 6,650.8 in the absence of clear direction from other world markets.

One analyst commented that gold shares were taking a double knock as a result of the firm rand, bringing dollar sellers of golds into the market and weakening the rand gold price. However, further gold price gains were likely to spur strength locally.

De Beers was 75 cents better at R87.50 and Anglos firmed 50 cents to R200.

EUROPE

Frankfurt shaken by rumours, derivatives selling

Frankfurt, the Continent's biggest equity market, was shaken yesterday by a potent combination of market rumours and derivatives selling, *writes Our Markets Staff.*

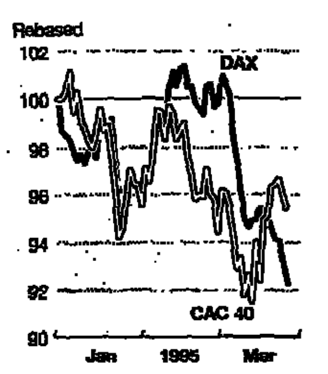
The peak to trough drop of more than 3 per cent was echoed more quietly by other bourses. However, there was some recovery before the end of the afternoon; and Mr François Langlade-Demoyen, equity strategist at CS First Boston and still a bull of "core" markets in Europe – the D-Mark zone, and France – was happy to forecast a technical bounce today.

FRANKFURT peaked at 1,980.13 during the session, hit 1,913.42 after hours on futures related selling and closed with the Ibis-indicated Dax index 42.99 or 2.2 per cent down at a new 1994-95 low of 1,935.08.

Turnover rose from DM5.1bn to DM7.4bn. DB Research took its latest strategy document to Düsseldorf on Wednesday, and yesterday, and the word from there was that the bank was cutting its targets for the Dax, and for German GNP.

However, Mr Thomas Niesse, chief analyst at DB Research, said that the cuts were relative, and conditional. The bank had been very bullish, with a Dax target in the 2,600 to 2,800 range which, said Mr Niesse, was now untenable after the depreciation in the dollar and other currencies.

France and Germany



Source: FT Graphite

The target, he said, had come down into the 2,400 to 2,500 range for 1995, on a "base line" scenario which assumes that the dollar has bottomed and will appreciate from here; if the dollar were merely to hold, or depreciate, DB Research would come back in May and reduce its targets yet again.

In the latter eventuality, dubbed the "risk" scenario, the bank would also cut its GNP target for this year. However, Mr Niesse agreed, this still left Deutsche with a far rosier view of German prospects than Mr Nicholas Knight of Nomura who, this week, put 1,600 for the Dax on his menu for a global bear market which could last until 1996.

PARIS was dragged down by renewed dollar weakness and by the German shakeout, the CAC-40 index tumbling by 22.32 to roll back more than a quarter of the gains it made over the preceding five sessions. It closed at 1,795.66.

Trading was active amid heavy profit-taking and turnover moved up to FFr3.8bn, its highest level for two weeks. Financials took the brunt of the sell-off, BNP falling FFr8.80 to FFr227, CCF FFr10 to FFr203.50 and Crédit Lyonnais FFr8 to FFr232.

LVMH was the most active stock following strong 1994 profits and a forecast of further good progress in 1995. The shares jumped FFr17 to FFr888 in turnover of FFr389m.

The throw-away pen and razor group Bic climbed FFr41 to FFr731, the day's strongest share price performance, on upbeat 1994 results.

ZURICH headed lower as the weak dollar and Frankfurt's performance put a brake on activity. The SMI index lost 21.2 at 2,480.7.

Nestlé fell SFr13 to SFr1,140 in spite of reporting a 12.6 per cent rise in 1994 net profit, at the upper end of expectations. However, analysts noted that the figure would have been virtually unchanged but for an exceptional contribution of SFr306m from the sale of cosmetics units to L'Oreal and that operating profit was below expectations.

Sandoz's unexpected plans to restructure the chemicals division into an independent company came after the market closed. The shares, up 2.4 per cent on Wednesday on speculation of a spin-off of the group's agrichemicals division, were steady, rising just SFr1 to SFr723. The move, apparently establishing a clear strategy and setting targets for the future, seemed likely to be well received by investors.

Brown Boveri bearers fell SFr32 to SFr1,080 on a downbeat interpretation of comments in ABB's annual report about the outlook for new power generation capacity.

In **STOCKHOLM**, Asea declined SFr12 to SFr561 on the ABB news as the Affärsvärlden index gave up 13.80 to 1,446.40.

Electrolux slid SKr7.509 to SKr347 on worries that the group might not achieve its target price for the sale of its Gränges metals processing unit.

MILAN worried that the government's plans for pension reform were becoming bogged down in talks with unions and employer groups, but it bounced off its lows on a technical rally in late trading.

The Comit registered a loss of 14.84 or 2.5 per cent at 587.99, while the real time Mibtel index finished 111 or 1.2 per cent down at 9,419. A L69 or 3.9 per cent fall to L1,723 in Olivetti was attributed to selling by a domestic holder attempting to cover a large put in the options market.

Banks remained under pressure, with BCI down L87 at L3,195 and Credito Italiano L32 lower at L1,560. Ambroveneto lost L94 at L5,197 on taking control of Banca di Trento e Bolzano at a cost of L180bn.

AMSTERDAM reacted directly to talk of a cut in German GNP forecasts, the AEX index bottoming at 385.30 before it closed 4.53 or 1.15 per cent lower at 388.33. Internationals and cyclicals came under pressure, with Hoogovens off another Fl 3.40 or 5.4 per cent to Fl 59.10 in the latter category, along with Fokker, a further 30 cents down at Fl 9.90 following overnight news of a Fl 350m restructuring charge to be taken in 1995.

DUBLIN managed to keep its head above water, moving modestly ahead in marked contrast to the trend in Europe's major stock markets. The ISEQ general index closed 3.23 higher at 1,838.80, although dealers said the market mostly ticked over in modest turnover. The building materials group CRH improved 2p to 350p.

FT-SE Actuaries Share Indices

Mar 23							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1242.51	1243.14	1243.47	1239.65	1231.00	1229.16	1229.57	1228.24
FT-SE Eurotrack 200	1360.17	1361.90	1361.62	1359.38	1351.96	1348.63	1346.30	1345.44

	Mar 22	Mar 21	Mar 20	Mar 17	Mar 16
FT-SE Eurotrack 100	1250.37	1248.99	1244.62	1233.19	1240.54
FT-SE Eurotrack 200	1359.80	1358.03	1357.80	1341.86	1336.96

Base 1000 (26/10/90); High/day: 100 - 1243.64, 200 - 1363.26 Low/day: 100 - 1225.42 200 - 1343.47 † Partial

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Profit-taking and selling by foreigners send Nikkei lower

Tokyo

Profit-taking by corporate investors and selling by foreigners continued to depress share prices and the Nikkei index stayed below 16,000, *writes Emiko Terazono in Tokyo.*

The 225 average lost 91.44 at 15,813.41 after fluctuating between 15,681.14 and 15,926.86. Corporate shareholders sold ahead of the book closing, while a fall in futures prices dragged down the cash index.

Later buying by institutional investors and arbitrageurs helped to recover some of the losses. There was also a degree of short-covering on reports that Mr Koichi Kato, chairman of the Policy Research Council of the Liberal Democratic party, had said the government might implement measures to support the stock market.

Volume rose to 416m shares from 317m, due to large-lot cross trading – the selling and buying back of shareholdings by investors taking profits without changing their portfolios. The Topix index of all first section stocks fell 16.01 or 1.3 per cent to 1,249.09 and the Nikkei 300 shed 2.84 to 230.13. Declines overwhelmed advances by 856 to 199, with 119 issues unchanged. In London the ISE/Nikkei 50 index eased 0.68 to 1,024.26.

Traders said corporate selling would continue until Monday, the last day for settlements in the current fiscal year. But a Japanese broker said it was not clear whether buyers would return after that.

Regional banks were busy on cross trading. Hachijuni Bank led active stocks as it rose Y20 to Y1,120, and Gunma Bank declined Y9 to Y991.

Banks were heavily sold by companies. The Industrial Bank of Japan fell Y180 to Y2,020 and Dai-Ichi Kangyo Bank Y40 to Y1,580.

Brokers, which had been heavily sold off due to increased bearishness over equities, rebounded. The sector was the only gainer of the day, rising 1.7 per cent. Daiwa Securities moved up Y46 to Y924.

The steels sector was the largest loser, declining 3.1 per cent. Traders said corporations, which account for a large part of the sector's investor base, were taking profits. Nippon Steel dipped Y6 to Y306 and NKK Y8 to Y217.

In Osaka, the OSE average slipped 265.44 to 17,421.31 in turnover of 976.5m shares. Volume rose to a record high on active cross trading by banks and companies. The total trading value climbed to a record Y1,036.1bn.

Roundup

A weak tone prevailed in much of the region, where Karachi was closed for a public holiday.

HONG KONG was easier as investors awaited results from Cheung Kong, a barometer of the property market, and Hutchison Whampoa after the close. Analysts noted that lower than expected results from Wharf (Holdings) on Wednesday had spread gloom among property issues and prompted analysts to moderate their expectations for Cheung Kong and Hutchison.

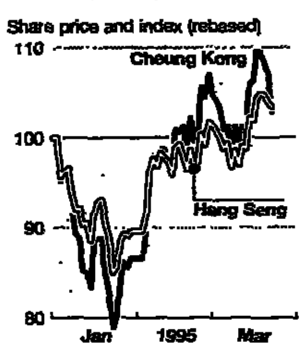
The Hang Seng index lost 41.44 at 8,467.67 in turnover of HK$3.6bn, against HK$3.05bn. Cheung Kong fell HK$1.30 to HK$32.40 and Hutchison softened 50 cents to HK$32.60. Wharf receded 70 cents to HK$25.15 in active trade.

BOMBAY declined in hesitant trading as the market reopened after the three-day suspension triggered by the Rs195m default by broker R.S. Jhaveri. The BSE-30 index dropped 68.27 to 3,293.77 as some investors sold holdings to cover losses. Most institutions were inactive, however, unwilling to enter into new commitments until the financial year ends on March 31.

MS Shoes, rumoured to have been actively bought in recent weeks by R.S. Jhaveri on behalf of another broker, plunged Rs125 or 47 per cent to Rs135 as bourse officials monitored trade to ensure that there was no price rigging.

KUALA LUMPUR was weak, although gains in some key blue chips helped the market up from the day's low. The composite index fell to 951.00 before ending 2.15 off at 957.05.

Cheung Kong



Source: Datastream

Investors continued to be unnerved by a weak US dollar, while caution also prevailed ahead of the release of Bank Negara's 1994 annual report on March 29.

Malayan Banking rose 30 cents to M$16.10 after Rating Agency of Malaysia reaffirmed its top rating for the bank.

SEOUL was supported by a late spurt of institutional purchases of primary blue chips which helped the composite index up 5.50 to 947.27, although trading remained thin. Samsung Electronics went limit up, gaining Won3,000 at Won115,300.

SINGAPORE was easier on foreign selling, with weaker than expected earnings from NatSteel and Jurong Engineering contributing to the drab mood. The Straits Times Industrial index shed 2.48 to 2,078.55 in volume of 105.6m shares. NatSteel tumbled 35 cents to S$2.99 and Jurong fell S$1.20 or 12.5 per cent to S$8.40.

BANGKOK reversed Wednesday's gains, easing across the board. Dealers said the market showed a marked reluctance to progress beyond the 1,200 level on the SET index. They said foreign buying continued but that it had become much more selective. The SET index retreated 5.96 to 1,204.17 in moderate turnover.

MANILA continued to lose ground, with the recent bearish mood heightened by diplomatic tension between the Philippines and Singapore. The 30-share composite index closed 18.72 lower at 2,275.32 for a two-day fall of 33 points.

WELLINGTON had another lacklustre session, with yield considerations maintaining investors' focus on the fixed interest markets. The NZSE Capital 40 index slipped 13.03 to 1,937.41 and some dealers saw this as just possibly the bottom of the current trading range. Softer pulp prices continued to depress the forestry leaders.

SYDNEY rallied in early trading but closed lower on the day as currency worries combined with budget and election uncertainty to keep a tight lid on sentiment. Up 10 points at one stage during the morning, the All Ordinaries index ended a net 1.5 off at 1,890.9. The market was hesitant ahead of the May budget and a possible election later in the year, said a dealer.

TAIPEI weakened ahead of Monday's parliamentary decision on the reimposition of capital gains tax. The betting among analysts was that the government would reject the tax proposal, but the market remained hesitant. The main index finished 37.16 down at 6,441.85, with textile stocks notably depressed.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MARCH 22 1995								TUESDAY MARCH 21 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	158.81	-1.3	148.26	89.24	116.09	145.57	-1.2	4.06	160.97	151.02	90.81	118.21	147.39	180.82	157.95	172.13
Austria (16)	186.42	-0.3	174.04	104.76	136.27	136.23	-0.8	1.19	186.96	175.41	105.48	137.30	137.25	198.89	167.46	188.98
Belgium (35)	176.49	-0.4	164.77	99.18	129.02	126.48	-0.7	4.23	177.14	166.19	99.94	130.08	127.32	180.87	161.53	168.11
Brazil (28)	111.60	-0.9	104.19	62.71	81.58	185.60	-0.3	1.66	112.62	105.66	63.53	82.70	186.15	-	-	-
Canada (103)	132.56	0.8	123.76	74.49	96.90	134.70	0.5	2.69	131.49	123.36	74.18	96.56	134.00	141.01	120.54	138.87
Denmark (33)	260.79	0.3	243.47	146.55	190.64	199.37	-0.4	1.57	260.08	244.00	146.72	190.98	200.09	275.27	236.51	264.52
Finland (24)	178.01	-2.5	166.19	100.03	130.13	163.80	-2.8	1.82	182.48	171.20	102.95	134.00	168.54	201.41	133.88	145.89
France (101)	170.63	0.4	159.30	95.89	124.73	133.44	0.1	3.21	169.94	159.43	95.87	124.79	133.29	180.93	157.79	178.46
Germany (58)	147.39	0.4	137.60	82.83	107.74	107.74	-0.1	2.05	146.84	137.76	82.84	107.83	107.83	154.61	132.08	136.31
Hong Kong (56)	343.87	-1.1	321.03	193.24	251.38	341.31	-1.1	3.90	347.61	326.12	196.11	255.27	345.03	416.42	277.40	370.13
Ireland (16)	207.72	0.3	193.93	116.73	151.85	184.22	-0.3	4.18	207.03	194.23	116.80	152.03	184.80	217.10	177.56	190.31
Italy (58)	67.63	-2.4	63.14	38.00	49.44	86.57	-1.8	1.90	69.31	65.02	39.10	50.90	88.11	97.78	65.45	76.06
Japan (484)	142.71	-0.9	133.23	80.19	104.32	80.19	-1.3	0.95	143.95	135.06	81.21	105.71	81.21	170.10	136.95	153.76
Malaysia (97)	472.60	-0.3	441.22	265.58	345.49	464.05	-0.3	1.70	474.10	444.79	267.47	348.16	465.61	594.76	398.16	450.77
Mexico (18)	683.23	-3.0	637.85	383.94	499.45	5479.33	0.8	1.96	704.50	660.94	397.45	517.34	5436.04	2414.12	647.81	2057.91
Netherland (19)	230.26	0.4	214.97	129.40	168.33	166.58	-0.1	3.73	229.41	215.23	129.43	168.47	165.71	232.41	191.28	198.24
New Zealand (14)	72.79	-0.6	67.95	40.90	53.21	59.75	-0.7	4.93	73.20	68.68	41.30	53.76	60.15	77.20	62.05	68.27
Norway (23)	207.49	-0.3	193.70	116.60	151.67	176.66	-0.7	2.24	208.22	195.34	117.47	152.90	177.95	216.03	177.53	200.21
Singapore (44)	356.03	-0.2	332.39	200.07	260.27	232.40	0.0	1.85	356.68	334.63	201.23	261.93	232.34	401.38	297.82	300.55
South Africa (59)	336.12	-0.5	313.80	188.88	245.71	265.49	-0.9	2.57	337.92	317.03	190.64	248.15	267.94	342.00	205.56	284.85
Spain (38)	124.95	-0.2	116.65	70.22	91.34	122.63	-0.3	4.50	125.17	117.43	70.62	91.92	122.99	150.21	124.81	145.21
Sweden (48)	235.64	-0.9	220.00	132.42	172.26	254.40	-0.8	2.22	237.90	223.19	134.21	174.70	256.41	247.40	198.70	216.34
Switzerland (47)	176.93	0.4	165.18	99.43	129.34	127.96	0.0	1.91	176.18	165.29	99.39	129.38	128.01	179.86	149.91	161.46
Thailand (46)	140.96	2.8	131.60	79.21	103.05	135.24	2.8	3.06	137.13	128.66	77.37	100.70	131.57	-	-	-
United Kingdom (203)	201.76	0.6	188.36	113.38	147.49	188.36	0.1	4.33	200.49	188.10	113.11	147.23	188.10	206.58	181.11	195.53
USA (511)	202.54	0.1	189.09	113.82	148.06	202.54	0.1	2.80	202.35	189.84	114.16	148.59	202.35	202.75	178.95	190.65
Americas (660)	185.05	0.1	172.76	103.99	135.28	155.56	0.1	2.78	184.88	173.45	104.30	135.76	155.39	-	-	-
Europe (719)	173.69	0.2	162.16	97.61	126.97	147.26	-0.1	3.29	173.33	162.62	97.79	127.29	147.48	176.01	160.59	168.19
Nordic (128)	226.66	-0.9	211.61	127.37	165.69	203.35	-1.0	1.96	228.69	214.56	129.02	167.94	205.42	235.72	197.70	208.98
Pacific Basin (808)	151.26	-0.6	141.22	85.00	110.58	90.35	-1.2	1.33	152.55	143.12	86.06	112.03	91.42	176.86	145.93	161.79
Euro-Pacific (1528)	160.51	-0.4	149.85	90.20	117.33	111.92	-0.7	2.21	161.12	151.15	90.89	118.31	112.72	175.14	154.73	164.30
North America (614)	198.21	0.1	185.04	111.38	144.89	197.92	0.1	2.79	197.96	185.72	111.68	145.37	197.69	198.33	173.67	187.62
Europe Ex. UK (516)	154.95	0.0	144.66	87.08	113.27	124.49	-0.3	2.70	155.01	145.43	87.46	113.83	124.86	158.19	144.12	149.91
Pacific Ex. Japan (325)	234.69	-0.7	219.11	131.89	171.57	208.27	-0.7	3.29	236.44	221.83	133.39	173.63	209.73	273.13	211.19	241.00
World Ex. US (1736)	160.94	-0.4	150.25	90.44	117.65	116.15	-0.7	2.22	161.52	151.54	91.13	118.61	115.93	176.65	155.42	165.82
World Ex. UK (2044)	170.76	-0.3	159.41	95.96	124.82	138.09	-0.5	2.23	171.24	160.65	96.60	125.75	136.70	178.59	163.46	170.96
World Ex. Japan (1763)	191.42	0.1	178.70	107.57	139.93	178.99	-0.1	3.00	191.30	179.47	107.92	140.48	179.10	192.00	176.34	185.35
The World Index (2247)	173.46	-0.2	161.94	97.48	126.80	140.62	-0.4	2.44	173.60	163.05	98.05	127.63	141.17	180.90	165.92	173.13

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: The cap on pensionable earnings is inhibiting mobility among executives

Stuck on board with nowhere to go

Some of the biggest UK companies seeking to fill highly paid executive posts are finding that the cap on pensionable earnings introduced six years ago is becoming a serious *obstacle to* recruitment.

The cap was introduced by Nigel Lawson in his 1989 budget to curb abuses of tax privileges accorded to *pensions. Since pensions* were related to final salaries, some company executives, particularly in the City, were arranging inflated salaries for themselves in their final years of employment. The abuse was also rife among National Health *Service consultants*.

In one sweep, Lawson introduced a limit on tax relief for occupational pensions. At the time the limit was placed on a £60,000 a year salary, which would have delivered a pension of £40,000.

Except for one year when the cap was frozen, it has risen in line with retail prices. Today it is set at £76,800 maximum pensionable salary; from April 6 it will rise to £78,600.

Although the provisions began to bite as soon as the 1989 *Finance Act* came into force, the problem was then less evident. The cap did not apply to existing members of pension schemes, so the change only affected the comparatively few moving from one scheme to another.

Those whose pensionable earnings were capped, however, found that even though they may have been contemplating moving to a bigger and more highly paid job, they risked losing out financially *unless their pension expectations* under their former uncapped earnings were met in some other way.

In many cases, where the cap applies, the only way of obtaining an executive has been to promise to top up his or her pension from company resources upon retirement to what it would have been under the previous uncapped scheme.

Where once the top-ups may have been in the region of £10,000 to £15,000 a year for each executive among a sprinkling of high earners, the big increases in executive pay packages over the past few years have put many more individuals on six figure sums. This has both increased the number of salaries beyond the cap and the size of the individual top-ups among the biggest earners, *creating a growing* burden for recruiting employers.

Richard Cockman, a partner at Bacon & Woodrow, actuaries and pay consultants, says he is aware of about 16 posts in FTSE-100 companies where recruiting companies are attempting to match the pension expectations of executives whose salaries are affected by the earnings cap.

Cockman says: "I know of one main board director's job where the total pay and remuneration package is worth about £350,000. The company is looking at someone with a package of £250,000 a year, who will not join them because his pensionable earnings would be *capped*."

The extent of the problem, and the way that companies have been approaching it, emerged in a Bacon & Woodrow survey of 179 large employers carried out in 1994. It found that 84 per cent had recruited at least one executive since the earnings cap was introduced and 78 per cent of those executives were earning in excess of the £76,800 cap at the end of April 1994.

In spite of this, less than half the companies in the survey – 40 per cent – *had any firm policy on how* to deal with the effects of the cap. Some 29 per cent had tentative arrangements and almost a third – 31 per cent – had none whatsoever.

Of those companies which did have a policy, the vast majority of them – some 85 per cent – provided compensation for the cap and 15 per cent did not. The latter either had no capped executives, considered *capped benefits to be adequate or* were reviewing their policy.

The most popular form of compensation has been through what Cockman calls "an unfunded promise". The new employer effectively says it will see the executive "all *right" upon retirement, topping* up the capped pension out of its cashflow. One drawback of this arrangement, used by 82 per cent of the companies which paid compensation for capping, is that it lacks any form of security for the director. As a future liability, it also weakens the company balance sheet – and if several directors are involved this can hardly be dismissed as a trifling sum.

Miles Broadbent, chief executive of Norman Broadbent International, *one of the top British headhunters*, called the cap a "bloody silly rule". He said that because his company's selection business began with jobs attracting salaries above £75,000 a year, the cap tended to be an issue in almost every position it handled. "We have had to deal with it with every single person we have recruited ever since Nigel Lawson introduced it," he said.

"I *find it* pretty *extraordinary* that a Conservative Government should introduce a thing that militates against job mobility."

He said he knew of some executives who had stayed in their existing jobs because they were worried *about the potential of the recruiting* company to continue to honour the funding promise which makes up the difference.

In cases where the recruiting company goes bust or is taken over, the promise can turn out out to be worthless. This fear has been an issue with executives considering leaving a comparatively safe blue chip giant such as ICI to a bigger job in a fast-growing company, for example.

Peter Breen, managing partner at Heidrick & Struggles International (UK), another leading executive search company, called the cap "one of the most pernicious pieces of legislation this Tory Government could have passed".

He said: "It is not spoken about, but it is a very serious inhibition to the mobility of executives, and the problem seems to be growing."

One pension top-up arrangement which attracted some attention was that provided for Sir Anthony Tennant when he retired as chairman of Guinness. Inland Revenue limits – not the Lawson cap on this occasion, but limits related to job service – *meant that his funded* pension scheme was unable to provide the two-thirds salary he had been promised so the company is paying him an additional £200,000 a year out of cash flow. It would not take many similar arrangements in one company to cause shareholder *discomfort* about increased liabilities.

An alternative to paying top-up benefits out of cashflow is to create a funded retirement scheme for the employee. Because these are run through separately funded trusts they *offer greater security to* employees. But there is no tax relief for the payments by the employer which may have to agree to compensate the individual for the various tax liabilities.

Anyone seeking to look further *into this topic can buy the full* results of the survey, which includes breakdowns for seven separate sectors, priced £500 plus VAT, contact Vivienne Miller, at at Bacon & Woodrow, tel 01372 733000.

● If *ever* there was any doubt about the difference in human resource approaches between the UK and the US, it is swept away in the programme for the US Society for Human Resource *Management* annual conference in Florida in June. Titles for some of the sessions include: union-avoidance strategies in the Clinton era, avoiding liability for disciplining and terminating employees, the magic of differences between men and women, and life after sexual harassment.

There seems also to be some recognition for the potential to wreck a workforce in some of the more popular re-engineering approaches. This seems evident in these *sessions designed to patch things up*. One is Reinventing the People Side of Your Business; another is entitled Trust and Truth: the First Two Victims of Downsizing.

Illustrating the level at which issues such as training can be pitched in US human resources is a session under the heading: Using Gimmicks, Games and Gizmos to Enhance Learning.

Richard Donkin

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BANKING FINANCE & GENERAL APPOINTMENTS

APICORP

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1) Management Accountant

Its broad responsibilities include:

- Budgets and budgetary control.
- Cash flow forecasting.
- *Balance sheet evaluation and financial analysis.*
- Monitoring a portfolio of direct investments.
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The candidate should be:

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- An Audit Manager in a leading accounting firm with international activities.
- Exposure to oil/gas and/or petrochemical industries is a distinct advantage.

2) Credit Review Officer

Its broad responsibilities include:

- Administering and monitoring the progress of all loans, draw-downs, rollovers, debt servicing and repayments.
- Carrying out the necessary examination and analysis to ascertain the continuing financial strength of existing borrowers.
- Advising on the necessary protective measures required to safeguard the Corporation's interest in his field of responsibilities.
- Managing & maintaining the loans data base and preparing relevant management reports.

The candidate should possess the following:

- A recognised University degree (B.Com. Accounting or B.A. Economics). Post-graduate academic degree or professional qualification will be a distinct advantage.
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- Exposure to oil/gas and/or petrochemical industries is a distinct advantage.

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As part of this process we now seek a small number of dedicated professionals to join our surveillance staff. Vacancies currently exist in those parts of the Division which are concerned with the regulation of:

- Major investment houses
- Members who deal in the futures markets
- Members of the London Stock Exchange

Whatever the nature of the business in which our members are engaged they demand of us a regulatory approach which is undaunted by complexity, capable of distinguishing the significant from the trivial and sensitive to the dynamics of the market place.

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Whatever your background, if you recognise the value of financial services regulation and believe that you are able to meet our exacting standards and that you have a contribution to make to our work, we would very much like to hear from you. In return, we are able to offer not only the challenge of *viewing our members' operations from a uniquely privileged position*, but also a comprehensive compensation package based upon previous experience.

Please write providing full career details and stating your current salary to: Lisa Booth, Personnel Officer, The Securities and Futures Authority Limited, Cottons Centre, Cottons Lane, London SE1 2QB.

Closing date for applications: Friday, 31st March 1995.

Assistant Treasurer

To $60,000 + Benefits & Relocation — Luxembourg

Our client is one of the world's major financial service groups. Due to the sustained growth and development of their European operations, including Private Banking, they are seeking a first class young treasury professional looking for a challenging international career.

THE POSITION

- **Responsible for day to day foreign exchange activities, daily position keeping and asset & liability management reporting. Report to and deputise for Head of Treasury.**
- **Anticipate and manage growing demand for treasury products via close liaison with global business development units.**
- **Fully exploit latest IT systems and local product knowledge to raise profile and contribution of Treasury to the European business.**

THE REQUIREMENTS

- **Impeccable background and training with major bank in dealing, cash management and FX. Probably aged late 20's.**
- **Good educational background, preferably ACT qualified. Fluent in English, second European language desirable.**
- **Ambitious, mature and energetic disposition. Good team skills with ability to succeed in dynamic multi-cultural environment.**

If you wish to apply for the above position please send your CV to: K/F Associates, 252 Regent Street, London W1R 6HL.

K/F ASSOCIATES
Selection & Search
KORN/FERRY CARRÉ/ORBAN INTERNATIONAL

Client Investment Services

London - Investment Banking benefits

The right angle on Asset Management

HSBC Asset Management is the global investment management business of the HSBC Group, one of the world's largest financial services organisations. With global funds under management exceeding US$30 billion, we offer a full spectrum of investment products for institutional and retail clients, and have ambitious plans for growth.

As the focal point of that growth, our Client Investment Services operation offers a unique opportunity for experienced investment specialists to secure a senior role in relationship management.

This is more than simply high-profile fund management. As the key interface between the organisation and a broad portfolio of international clients, you must have excellent interpersonal and presentation skills. Working autonomously within the Client Investment Services team - fully supported by a 17-strong staff - you will be expected to maintain productive relationships with existing clients, and identify and develop new business leads.

With a degree or equivalent, five or more years' experience in fund investment and at least two in asset allocation, you should be a proven problem-solver with persuasive communication skills and the ability to translate technically complex financial terminology into everyday language.

In return, we offer a salary and benefits package that reflects the very senior nature of the role and our status as a leading institution.

Please send your full CV, and details of your current remuneration to Helen Rooms, HSBC Asset Management Limited, 6 Bevis Marks, London EC3A 7QP.

HSBC Asset Management
Member HSBC Group

The Top Opportunities Section
For Senior Management Appointments
For advertising information call:
Stephanie Cox-Freeman on +44 0171 873 3694

Compliance Manager

City Competitive salary + car + benefits

LIFFE is Europe's leading marketplace for the trading of financial futures and options, and offers a more comprehensive range of financial products than any other exchange in the world. Growth in trading volumes and the emphasis on effective regulation have created the need to increase the frequency of compliance audits and to strengthen our established function with this new appointment.

Reporting to the Head of Compliance and acting as his deputy, you will be responsible for leading a team of compliance officers engaged on a comprehensive programme of audits covering some 200 Members ranging from global financial institutions to specialist firms. Your audit management responsibilities will include significant hands-on involvement as well as liaison at senior executive levels.

A graduate and a qualified accountant, you should have gained at least three years' relevant experience with a regulatory body or financial institution, and must have specific knowledge of the derivatives industry. Familiarity with the SFA and SIB would be a distinct advantage. Your technical expertise must be backed by an ability to address sensitive issues and resolve problems through persuasion and diplomacy. Proven supervisory skills are essential.

The role offers the opportunity to gain valuable experience with a leading institution offering good prospects for personal development. Salary will be supported by a competitive range of benefits.

To apply, please write in confidence, enclosing your full cv and details of present remuneration, to Charles Crookall, Personnel & Training Manager, LIFFE, Cannon Bridge, London EC4R 3XX.

LIFFE

The London International Financial Futures and Options Exchange

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Our goal is to become the best financial services company in the world. We believe five corporate values – customer focus, respect for each other, team work, quality and professionalism – will help make Chase the provider of choice, the investment of choice and the employer of choice.

PRODUCT MANAGER

A HIGH PROFILE ROLE OFFERING THE CHANCE TO INFLUENCE THE STRATEGIC DIRECTION OF A HIGH PROFILE BUSINESS

Custody Services • Europe • Middle East • Africa

Substantial package — City base

A clearly defined strategy and a comprehensive, integrated range of core custody products and value added services make Chase Global Securities Services the world's largest global custodian, with over $1.8 trillion in assets under administration worldwide.

A multi-discipline 'centre of excellence' - the product management team - researches, creates and implements solutions that both anticipate and meet our client needs.

To strengthen this successful team still further, we need an accomplished leader who delivers innovative solutions based on sound analysis through up to the minute market knowledge.

Our sights are set on a graduate who has at least 5 years' experience of the wholesale financial securities market with a broad understanding of institutional investors and their needs. This financial services professional will have excellent communication and presentation skills, the proven ability to deal effectively at every level, and a flair for motivating, managing and delivering by sheer energy and enthusiasm.

In return, we offer quality career development opportunities and a substantial package comprising competitive salary and an attractive range of benefits including car allowance, subsidised mortgage, non-contributory pension and performance related bonus.

Send your CV to the HR Resourcing Manager, Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London, EC2P 2HD. Please quote ref: DL/14/FT on both your application and envelope. Closing date: 31 March 1995.

CHASE MANHATTAN.
PROFIT FROM THE EXPERIENCE®

CHASE

PARIBAS
CAPITAL MARKETS

Management Opportunity in Developmental Group

Global Co-ordinator – Static Data

London — To £50,000

Paribas Capital Markets is a leading European investment bank whose world-wide securities trading activities are headquartered in London. In line with our commitment to maintaining a competitive edge through technical innovation and the calibre of our people, we now seek to recruit a key individual into the role of global co-ordinator for static data.

High quality static data is central to Paribas' approach to integrating systems worldwide and improving the management of risks, revenues, operations and client service. Working closely with trading and business managers, your responsibilities will include:–

- understanding the requirements of the various business areas and ensuring that their different needs are met;
- managing the relationships between user-functions (such as credit risk, market risk, operations and client contribution) and the static data technology team;
- co-ordinating the decentralisation of static data administration to key trading sites around the world;
- installing clear procedures and a framework for project management and overall quality control;
- spearheading the management of product, client and market information essential to business planning and development.

Candidates will be good managers with strong analytical and organising skills, and the ability to influence senior colleagues. Practical experience of static data in investment banking would be an advantage, but proven management qualities are more important. You may already be a line manager, or you could be an IT manager, accountant or consultant looking for a management challenge. In addition to the demands of the current role, we can offer superb opportunities for career development.

Interested candidates should apply in writing, quoting reference no. 342, to Joe Thomas, BBM Selection, 76 Watling Street, London EC4M 9BJ. All applications will be treated in strictest confidence.

76, Watling Street,
London EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653
Fax: 0171-248 2814

Unibank Securities - Fixed Income

Unibank is one of the leading banks in Denmark. With a staff of some 11,000 employees, Unibank serves a wide range of retail, corporate and institutional customers. We have 415 branches in Denmark and 16 branches and representative offices around the world. Based on delegated customer responsibility and authority, we aim to provide financial security and value for our customers through personal dialogue. Solutions are based on customer needs in combination with high-quality products and services. Professional and motivated staff add value to products and services to provide competitive strength.

Head of Continental European Sales
The Continental European Sales section is based at our head office in Copenhagen. The 10-staff sales team manages an extensive institutional and treasury client base in Continental Europe within Scandinavian fixed income products.

Applicants
Successful applicants for the above position should ideally have experience in managing a fixed income sales team and be able to demonstrate proven business results.

Other key skills include an extensive knowledge of the Scandinavian fixed income markets, a minimum of five years' experience with fixed income products and a business school or university degree in finance or economics.

Furthermore, we would expect you to be able to communicate in Danish or Swedish within one year.

For further details, please telephone Hasse Jørgensen, Head of Sales, on +45 33 33 43 89.

If you would like to join Unibank Securities as head of Continental European Sales, write, enclosing your detailed CV to

Helen Lorenzen
Unibank A/S
Vesterbrogade 8
1786 Copenhagen V
Denmark, not later than 10 April.

Unibank

HEAD OF INTERNATIONAL COMMODITY FINANCE

Paris based

Responsible for managing the International Commodity Trade Financing Team of SOCIÉTÉ GÉNÉRALE's International Branch (12 professionals), developping structured transactions (barter, tolling...) as well as corporate relationships with large commodity traders worldwide, establishing and implementing a business plan for the team, working closely with the senior management of International Branch.

Candidates must be graduates, should have at least 10 years relevant experience (international trade and commodity financing, strutured transactions), a proven track record, detailed knowledge of oil and metal trade worldwide as well as knowledge of raw material products and an extensive network of contacts. With the support of the existing team, the right candidate should be able to assess risks, structure complex transactions, arrange deals and syndicate them. He should also be able to demonstrate strong management skills as well as marketing abilities and be prepared to work in a challenging environment. Fluency in French and English is required, Spanish and/or Russian would be appreciated.

Financial package will be commensurate with experience.

**Please apply in confidence to Mrs DROPSY - *Société Générale - Service du recrutement* (ref. Neg03)
7 rue Caumartin - 75009 PARIS (France).**

GENERALE

LET'S COMBINE OUR TALENTS

We are part of a major multinational tobacco and food conglomerate with several leading brands in markets throughout the world.

For a newly created international public relations function, we are searching for a

REGIONAL PUBLIC RELATIONS DIRECTOR

This position is responsible for the execution of PR strategies and activities for our Europe/Middle East/Africa region, coordinating transnational media and press matters and acting as the company's regional press officer. The incumbent will be introduced to the position, industry structure and politics in Cologne. In time responsibilities will become more international and the position will be centered in Geneva.

We are looking for a professional PR expert with several years of PR experience in Germany and in an international environment. Due to the competitive and controversial nature of the tobacco business, eloquent oratory and journalistic skills are imperative in English and German. A working knowledge of French or Spanish is also required. The candidate must be communicative, open-minded and flexible, with an international awareness and the ability to adapt to the requirements and customs of various cultures.

If you are looking for a job that requires absolute company dedication and engagement, and you enjoy working independently as well as in a small team, then you are the right person for R. J. Reynolds Tobacco International. On top of an excellent compensation package, we offer our employees an open, fast and challenging environment and important development opportunities.

Please send your application to:

R. J. Reynolds Tobacco International
Mr D. Deceuninck, Vice President Human Resources
Boechoutlaan 55
1853 Strombeek-Bever (Brussels)
Belgium.

RJR

Executive – Venture Capital

A leading European venture capital operation seeks a highly motivated and successful venture capital executive to join its UK team.

The position calls for an experienced individual, preferably an ACA or MBA, with at least five years relevant venture capital experience.

Applicants should submit a CV and a brief résumé of their career to date, quoting the box number and reference shown below.

Box No: A5068 Ref: EVCA

c/o Financial Times, Number One Southwark Bridge, London SE1 9HL

CONSULTANCY OPPORTUNITIES IN CENTRAL/EASTERN EUROPE & THE CIS STATES

International Development Ireland Ltd is an international consultancy and training organisation. It is currently implementing a number of major consultancy assignments in the above geographical region. Most of these assignments are funded by the World Bank, EBRD & EU TACIS/PHARE programmes.

Many of the assignments require an international multidisciplinary team operating under a consortium structure.

IDI is interested in hearing from qualified professionals with experience in the following disciplines:

- Investment Promotion
- SME Development Finance
- Privatisation
- Sectoral Development eg food, engineering, electronics
- Forestry
- Trade Development
- Banking & Corporate
- Regional Development
- Environmental Services

The normal profile of these professionals would be as follows:

- *Masters degree or equivalent*
- 5-10 years experience in the specific discipline
- International consultancy experience
- Experience of working in the above georgraphical areas
- Language skills eg Russian, or other Eastern European languages would be an added advantage.

Replies in the strictest confidence to:
Michael Murphy, Company Secretary
International Development Ireland Ltd
Wilton Park House, Wilton Place.
Dublin 2, IRELAND
Tel: 353 1 668 7555 Fax: 353 1 660 1733

PORTFOLIO ANALYST

Investment Management Group managing over £5 billion for more than 50 clients requires an analyst to support the implementation, maintenance and evaluation of their portfolios. The company makes extensive use of computer-based research, management, and evaluation systems. Working in a small team you will be involved in the construction, execution and processing of trades, review of the portfolios relative to desired targets, analysis of trading costs and investment performance analysis.

You should be numerate with a good university degree and have some computing experience. Ideally you will have previously worked for an investment management organisation but any analytical background such as actuarial or accountancy would be acceptable. Compensation and benefits, including pension plan, health insurance, and profit sharing will be competitive for the right candidate.

Please reply in writing and confidence to:

Ian Lloyd
Managing Director
Cursitor Management Limited
66 Buckingham Gate
London SW1E 6AU
Member of IMRO

STRUCTURED FINANCE/ PRIVATE PLACEMENTS

LEADING MIDDLE EAST BANKING GROUP

London based **£ Attractive Package**

One of the most highly regarded Middle East banking groups has a well established Islamic banking business based at its head office. As a strategic extension of this business, it has been decided to establish within its London office the capability to originate and structure Islamic private placements. Applications are now invited for the position which will lead this initiative.

THE ROLE

- To build a respected and profitable capacity to identify and structure investment opportunities (Non Murabaha) for distribution among a strong client base of Islamic institutional investors.

THE CANDIDATE

- Evidence of a convincing track record of transaction structuring, closing and successful placement, possibly acquired in project finance, leasing or corporate finance with a leading investment banking group, law firm, or big ticket exporter. Prior experience of Islamic Finance, while welcome, is not essential (appropriate familiarisation will be provided).
- Computer literate graduate, with at least 7 years professional experience, ambitious, resilient and a self-starter comfortable working on his/her own as well as within an energetic cross-cultural team environment.

Interested candidates should send their cv, and a covering letter stating their current remuneration, to Box A5067, Financial Times, One Southwark Bridge, London SE1 9HL.

EUROPEAN EQUITY ANALYST

IBJ International plc, the investment banking arm of The Industrial Bank of Japan, is *a major force in the international securities markets.*

As part of the expansion programme within our Investment Management Division, we are seeking to recruit a generalist European Equity Analyst.

This is a challenging position for an experienced investment analyst to help develop and maintain an in-depth portfolio of European companies through detailed analysis and company visits. Working within a small team focussing on continental Europe, the successful candidate will play an active role in formulating our pan-European investment policy.

Applicants will have a minimum of 5 years' investment experience including 2 years' generalist knowledge of European equities. Aged late '20's to early '30's, candidates will be high-calibre, PC literate graduates with proven analytical and numerical skills. Experience of Derivatives would be an advantage.

Remuneration will be highly competitive and will include all the usual banking benefits.

Applications should be made by the 5th April, in writing, enclosing a full CV to: Sue Harwood, Manager, Personnel Department, at the address below.

IBJ

IBJ International plc.
Bracken House, One Friday Street, London EC4M 9JA.

FOREIGN EXCHANGE MARKETEER

£top salary (negotiable), plus full range of attractive benefits · City

Our client, an innovative, *London based* banking institution, is seeking an outstanding individual to participate fully in its vigorous marketing activities.

As part of a young and dynamic team, this position involves the marketing of a diverse range of treasury products to existing and prospective European, Middle Eastern and SE Asian customers. The product range is predominantly FX spot, forwards and options, plus money market deposits and loans, and FRAs. Some wider knowledge of interest rate derivatives would be valuable. Candidates for this position must be able to demonstrate considerable experience in trading or selling FX and Money Market products. The capacity to market on a broad scale to central banks, fund managers and corporate customers is essential.

The successful individual will be a confident, motivated self-starter who is able to relate well to others, and who has the capacity to contribute new ideas in a stimulating environment. Language skills would be most useful. Likely age late 20's – late 30's.

Please write with your cv, quoting reference 183 to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St. John's Lane, London EC1M 4BH.

All applications will be sent to this client only. Please indicate any company to which your details should not be forwarded.

ASSOCIATES IN ADVERTISING

SALES EXECUTIVE

International publishing and communication company based in London with an important conference division is seeking a sales executive to sell investment management seminars and roundtables. The person should be mature, confident, with a high energy level. A minimum of 30% travel required. Must be able to deal with senior level financial executives and be able to do business in a multi-cultural environment. Prior experience in selling financial/asset management seminars would be a definite asset. The knowledge of one of two European languages, in particular Italian and Spanish, is required.

Please send full CV with required salary to:

Mireille Power, Sales Director
Institutional Investor
Imperial Buildings
56 Kingsway
London WC2B 6DX
Fax: (44 171) 404 5455

TREASURY MANAGER

Smith Barney, a global securities firm providing brokerage, investment banking, and asset management services, is seeking a Treasury Manager, based in London, to provide banking and *cash management support to its European businesses.*

This newly created position calls for a candidate with in-depth securities industry knowledge, with at least 5-7 years experience in positions of increasing responsibilities. The skills *required include cash management, development of banking* relationships, knowledge of brokerage operations, the ability to fund/hedge non US$ currency exposure, and a proven track *record of successful interaction with sophisticated business* unit managers.

Candidates must be self-starters who possess well-honed interpersonal skills, coupled with excellent verbal and written *communication* skills and the ability *to adapt to a dynamic,* entrepreneurial environment. Strong personal computing skills are also required.

Please send your application, including a detailed career *history and compensation requirements* to **Anita Mather, Smith Barney Europe, Ltd., 10 Piccadilly, London, W1V 9LA.**

All enquiries will be maintained in strictest confidence.

SMITH BARNEY

No Agencies Please.

A Member of TravelersGroup

ITALIAN BANK BASED IN THE CITY SEEKS TO RECRUIT:

SENIOR SPOT DEALER

the successful candidate should be aged between 28-40 with a solid background in dealing spot currencies, particularly Lira,

SENIOR DEPO DEALER

experience in a similar position essential and preferably with knowledge of derivative products. Age 35 - 45.

Salary for both positions upon application.

For further details please contact Box A5066, Financial Times, One Southwark Bridge, London SE1 9HL

ACCOUNTANCY APPOINTMENTS

c. £75,000 package + options — *Diversified Industrial Quoted Group* — *Surrey*

Group Finance Director

Profitable industrial group with a £130 million turnover and overseas interests - a leader in its core markets - with a stable and loyal shareholder base. The principal challenge is to improve the delivery and effectiveness of management control systems, to identify cost and operational efficiencies and to contribute to board discussions on strategy, organic growth and acquisitions.

THE ROLE

- Reporting to the Managing Director, responsible for statutory reporting, management information and all financing issues including City relationships.
- Working closely with the Managing Director to monitor and improve group performance and formulate strategic options.
- Streamline and enhance subsidiary reporting. Support business managers and finance teams in benchmarking to identify control issues and market opportunities.

THE QUALIFICATIONS

- A qualified accountant, aged 35+ with experience in a respected industrial company which operates rigorous financial controls.
- Robust approach with the personality to encourage *subsidiary management* to maximise financial performance.
- A forward thinker who will provide intellectual vigour to analysis, with the maturity to gain respect *throughout the group.*

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. FT1080367, 16 Connaught Place, London W2 2ED

To £70,000 package + benefits — *FTSE 100 Company* — *London*

Head of Internal Audit

Outstanding opportunity to join a high calibre senior finance team within a complex international leisure group. The key task is to reposition the audit function to become a focused analysis and review service to support global operations during a period of expansion and change.

THE ROLE

- Provide leadership and guidance to the established UK and international internal audit departments, promoting a pro-active stance to assist senior divisional line and financial management.
- *Assessing and evaluating operational risks from a financial perspective throughout the group.*
- Supporting the Group Finance Director in assessing the quality and robustness of internal controls and championing best practice in the operating companies.

THE QUALIFICATIONS

- Bright, ambitious, young graduate ACA, with audit experience gained in an international firm or a major corporate with global operations. Line experience and a second European language advantageous.
- *Pragmatic self-starter with first-class leadership* and interpersonal skills. Highly analytical with an eye for detail. Flexible and willing to travel extensively.
- A willingness to challenge accepted practice and capable of identifying and eliminating risks in the *worldwide businesses to enhance the bottom line.*

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F61090851, 16 Connaught Place, London W2 2ED

GUILDFORD

Management Accountant

C. £30K PLUS BENEFITS

Our client is a successful and dynamic privately owned *international shipping group based in the UK. Due to* growth and internal reorganisation, they now require a Management Accountant to complement the existing finance team.

Reporting directly to the Financial Director, you will be *aged late 20's to early 30's and hold the ACMA qualification.* It is essential that you have proven commercial experience preferably in shipping. You will also possess excellent interpersonal and communication skills, and a "hands on" approach to working with and managing a small team. A *thorough understanding of computerised accounting and* administration systems is also essential.

The position will have prime responsibility for the day-to-day financial management of the shipowning activities of the group. This will include providing accurate and meaningful *financial and management information, developing* computer systems and actively participating in the decision making process within the business.

If you believe you have the drive and enthusiasm to work within this exciting and challenging environment, then *please write* enclosing *full personal* and *career details to:* Suzanne Dobinson, Management Consultancy Division, Robson Rhodes, 186 City Road, London EC1V 2NU.

ROBSON RHODES
Chartered Accountants

RSM
International

FINANCE/OPERATIONS DIRECTOR

Major international US Newspaper seeks a European Finance/Operations Director at its European headquarters in London.

Reporting to the MD, the applicant will be working as a senior member of European Management team and will be actively involved in developing the corporate strategy and optimising business performance.

Responsibilities include:

- control of all finance and administration functions
- all aspects of company and department budgetary control
- *provision of timely, accurate month-end financial statements*
- continued review and improvement of systems and operating procedures
- *preparation of operating* and *capital budgets*
- filing with government departments for legal and tax compliance
- hands-on closing of books in a multi-currency operation.
- oversee computer systems and operations.

5 years post qualification experience, CIMA/ACCA/ACA - the applicant should have proven ability to lead, manage, motivate and develop a small team.

Interested candidates should write in confidence, enclosing a CV and stating current salary.

USA TODAY International Corp., Department BK, 19 Wardour Street, London W1V 3HG.

WALKER
HAMILL
103-105 Jermyn Street
St. James's
London SW1Y 6EE

Tel: 0171 839 4444
Fax: 0171 839 5857

Outstanding opportunities for Qualified Accountants/MBA's to influence the performance of a leading UK services group

Our client, a leading UK services group with a turnover of £1.1bn, has maintained its position as a dominant market leader and is rapidly building its businesses. *A recently appointed high calibre management team coupled with an increased commitment to international expansion* has resulted in a need to recruit two highly commercial individuals.

FINANCIAL PLANNING MANAGER (INTERNATIONAL)

London **£45,000 + Car + Bonus**

Reporting to the Finance Director of the International Division (t/o £260m), the appointee will be an outstanding accountant or MBA, responsible for a variety of commercial projects and business system re-engineering issues, facing the group. This is a troubleshooting role, analysing existing business and initiating change where necessary, in addition to assessing potential new ventures and evaluating capital expenditure proposals. Working closely with the Finance Directors and senior management of the major business units there will be involvement in systems projects and the preparation of *financial reports to tight deadlines.* The ability to operate in an international environment is essential.

INTERNATIONAL FINANCE MANAGER

London or Brighton **£35-£40,000 + Car**

In the fastest growing operating unit within the International Division, there is an urgent need to upgrade the quality of *financial* reporting by recruiting a high calibre qualified accountant. Based in either London or Brighton the role is extremely commercial, with the emphasis being on providing all aspects of financial *support to the General Manager.* This encompasses business analysis and development, budgeting, forecasting and monthly management reporting. The successful candidate will also contribute to the development and implementation of business strategy and will be responsible for a small team.

In both instances the ability to work and present at board level is essential. Aged 27-33, a proven track record in a blue chip commercial *environment is essential for the 'Planning' role, while the 'Finance Manager' vacancy may attract a manager from a 'Big 6' public practice firm.* For both of the above positions key requirements are sound commercial judgement and a proactive work style, coupled with an ability to initiate and manage change. The rewards include an attractive remuneration package together with company car, generous performance related bonus (for the senior role) and excellent career prospects in a successful and growing group.

Interested applicants should write, in the strictest confidence, to Brian Hamill or Robert Walker, forwarding a curriculum vitae to our London office quoting reference BH 1778.

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Stephanie Cox-Freeman on +44 0171 873 3694

APPOINTMENTS WANTED

FINANCIAL CONTROLLER
Specialist USA Listed Companies
TEL: (01734) 471732

ACCOUNTANCY APPOINTMENTS

MANUFACTURING FINANCE MANAGER

TONER GRAHAM
ACCOUNTANCY RECRUITMENT SPECIALISTS

GLOUCESTERSHIRE **c £33,000 + Car + Bonus**

Our client is a world class organisation - a distinct leader in a number of key markets. With an international renown for quality and excellence they have developed an infrastructure that offers their customers unrivalled product support.

The finance function is no exception to the above. Reporting to the plant controller, an opportunity has arisen for a high calibre professional to join the company in a management role. Initial responsibilities will be focused on providing advice on operational, commercial and strategic issues facing the business units under their control. Although an important position in its own right, this is clearly viewed as a career development role with outstanding opportunities for promotion on a national or international basis.

Successful candidates will ideally be graduates with an accounting qualification as well as a minimum of three years experience in a manufacturing/electronics environment. With a strong track record of achievement to date, you will have excellent communication skills and the presence and maturity to make an immediate impact at the most senior levels of a major international corporation.

Toner Graham are exclusively retained on this assignment. Interested applicants should write to **Joe Graham CA** enclosing a comprehensive C.V., with current remuneration details, quoting reference JG10/3 to:

Toner Graham,
8 Imperial Square,
Cheltenham,
GL50 1QB.

KPMG

Financial Analyst

Hanson

Bristol based ***Competitive salary + car + bonus***

Outstanding career opportunity for a high calibre, young accountant

ARC Ltd is a subsidiary of Hanson plc and a significant contributor to Hanson profit. The company is one of the UK's leading suppliers of aggregates and coated stone, a major producer of concrete products and one of the largest owners of landfill resources in the UK.

Internal re-organisation has created the need for an ambitious, qualified accountant to develop the new role of Financial Analyst.

The Role

- Provide a comprehensive financial analysis of operating performance, product profitability and sales information for use by senior management and group finance.
- Develop, maintain and analyse data to monitor performance against evolving market trends.
- Liaise with operational management in order to furnish them with qualitative and perceptive management information.

The Person

- Graduate, qualified accountant, ideally aged 28-32, with a minimum of two years' post qualification experience gained in a commercial/industrial environment.
- Pragmatic self-starter with toughness, energy and determination.
- First class technical skills coupled with a proven record of interpreting financial and non-financial information for management decision making
- Intellectually flexible, able to contribute to the broad, strategic perspective.

It is envisaged that successful performance in this key role will provide a fast track for future career development.

Interested candidates should send details of their suitability including current remuneration package, to Karan Paige, KPMG, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone (0117) 946 4000.

KPMG Selection & Search

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ap Accountancy Personnel
EXECUTIVE RECRUITMENT

Management Accounting in a Blue Chip environment

East Anglia £30-£35,000 + Excellent Benefits Package

As a leading International Financial Services company, our client can provide an arena for both medium and long term career development which is unparalleled in this sector. A key division of the organisation seeks an experienced Management Accountant who will make a significant contribution to the continued growth and development of the division.

The Role

Liaising across four business units within the division, you will be responsible for developing the management information, contributing to key business decisions and ensuring consistency of information throughout the division.

Specific responsibilities include:

- Provision of budgets and forecasts for the division.
- Development and implementation of new financial and management accounting systems.
- Provide proactive financial input into the business decision making process of the division.
- Management and development of a small, high calibre team.

The Appointee

Key qualities will include:

- Confidence with strong interpersonal skills, able to gain respect and credibility from the senior management team.
- A team player, focused on motivating and gaining commitment from staff.
- A professionally qualified Accountant with a strong academic background.
- A record of achievement and success within a management accounting role within a blue chip environment.
- Ambitious to progress within this fast moving progressive organisation.

For further information please contact our Recruitment Advisor, Lynn Hardy, at Accountancy Personnel, Janus House, 46 St Andrew's Street, Cambridge CB2 3AH. Tel: 01223 461369. Fax: 01223 352028. This position is being handled exclusively by Accountancy Personnel, any direct applications will be forwarded to them.
Closing date for applications: 3rd April 1995.

Hays

KPMG

Financial Director Designate

South Coast ***Package circa £30k***

Our client is a profitable manufacturer of a range of products primarily for use in aviation and related industries. An autonomous division of a growing plc, they have attained a deserved reputation for quality and professionalism, and are now seeking a qualified Accountant to join their senior management team to facilitate their strategy for growth and diversification.

Reporting to the Managing Director you will have responsibility for all aspects of the finance function and will be expected to liaise extensively with colleagues in other disciplines and within the group. The role demands a young, ambitious individual who has gained experience in a manufacturing environment where computerised systems have been used extensively. In addition to an accounting qualification, CIMA or ACCA, you will have well proven man management and interpersonal skills coupled with experience of working at senior level.

If you have the skills and experience that we are seeking and have gained your experience working in a manufacturing environment, please write enclosing a full CV and your current remuneration package to Mavis Would, KPMG, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone (0117) 946 4000.

KPMG Selection & Search

Project Financial Analyst

A UK-based role focusing on international agribusiness development

For over 40 years Booker Tate, jointly owned by Booker plc and Tate and Lyle plc, has provided management and technical services to the sugar industry worldwide, becoming the international leader with operational experience in more than 100 countries.

Meticulous preparation precedes every project and, as a Project Financial Analyst in our Business Development Department, you will find yourself at the centre of our project planning and development function, with continuing involvement as projects become operational.

Frequently travelling overseas, your remit will be broad – conducting financial appraisals of proposed investments, mobilising the required capital and periodically evaluating business strategy for ongoing projects. You will be participating in project and policy studies in developing countries and Eastern Europe.

Ideally, ACA/ACMA qualifications should be combined with a degree or post-graduate qualification in economics or agricultural economics, and by several years experience, preferably on assignments in developing countries.

The remuneration package will include company car, pension, health insurance and assistance with relocation costs.

To apply, please forward your full cv to Mrs B J Storey, Personnel Officer, Booker Tate Limited, Masters Court, Church Road, Thame, Oxfordshire OX9 3FA. Telephone 01844 251000.

Overseas-based financial management positions arise from time to time. If you possess similar qualifications to those described above but seek to live and work outside the UK, please contact us for details of current and future opportunities.

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For further information please call:

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Stephanie Cox-Freeman on +44 0171 873 3694

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CHALLENGING FINANCE ROLES

West Midlands Based

Relocation Package

International Involvement

Our client, a fast growing Division of a profitable FTSE top 100 UK plc, is continuing its expansion both in the UK and internationally via joint ventures, organic growth and acquisitions. This has created the need for additional high calibre finance individuals to take the business forward.

Senior Financial Analysts
£30-45,000

Working closely with senior management across a range of businesses and with external parties, main responsibilities will include:

- Review of business and investment opportunities.
- Assessment of acquisitions including due diligence.
- Sophisticated financial modelling, risk analysis and corporate finance evaluation.
- Provision of financial advice as key member of a multi-disciplined project team.

Operations Finance Manager
c. £45,000

Responsible for the financial management and control of existing and future international joint ventures and investments, with significant expansion anticipated in the next five years. Main areas of responsibility will include:

- Preparation of business plans, budgets and establishment of forecasting arrangements.
- Prompting and initiating management action.
- Focused management reporting, including systems development and conversion to UK GAAP.
- Integration of new projects/acquisitions.

Suitable candidates will be qualified accountants who are self-starters with broad financial knowledge, an international perspective and credible prescence.

Individuals interested in the above positions should contact Shirley Knight on 0171 405 4161 (Fax: 0171 430 1140) clearly indicating the position you are interested in, or send your CV to her at FMS, Recruitment Consultants, 5 Bream's Buildings, Chancery Lane, London, EC4A 1DY.

THE PSD GROUP

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prodrive

MANAGEMENT ACCOUNTANT

Prodrive is a rapidly expanding company involved in motorsport and project engineering. Best known for running the 555 Subaru World Rally Championship Team, the company has diversified into a number of parallel businesses.

We are seeking a high calibre, well qualified, commercially minded and experienced Management Accountant to commence work immediately.

Reporting to the Financial Director, the successful candidate will be responsible for the production of monthly management accounts, preparation of annual budgets, variance analysis and statutory accounts.

Dynamism, the ability to work as a team member under pressure, lateral thinking, computer literacy and a sense of humour are absolutely essential.

Package £25-£30k depending on relevant experience.

Please apply in writing with full CV to:

Helen Clarke,
Prodrive Ltd,
Acorn Way, Banbury, Oxon OX16 7XS

GROUP FINANCE DIRECTOR

South East England ***C£50,000 plus full executive benefits***

- Qualified accountant with proven skill in the provision of strategic financial direction to an expanding organisation
- Creative "business builder"
- French language skills essential
- Previous international business experience an advantage

Our client has grown in 10 years to become one of the leading suppliers of consumer electronic equipment to the UK market. In addition the company has recently developed a strong presence in Europe and plans continued growth, in both new products and geographical areas.

The group now requires an experienced Finance Director with the vision and flair to make a major contribution to the group's future success. Responsibilities will include all aspects of strategic financial management together with the provision of general management direction. The jobholder will be expected to make regular visits to the European subsidiaries and to contribute to marketing initiatives within Europe and the Far East as required.

If you fit the above profile and would be interested in this opportunity please contact: Jane Ryley, Resourcing Manager, LG Human Resourcing, 66 Wigmore Street, London, W1H 0HQ.

Tel: 0171-467 4055. Fax: 0171-467 4040.

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ACCOUNTANCY

Audit Manager **£30-40K**

An ACA Supervisor/Manager with 3-5 years PQE for a dynamic medium/large firm. Client development will ensure a bright future. Ref P1002

Senior Taxes Analyst **£22K**

A responsible role for a young part qualified ACA / ACCA or finalist where besides dealing with Accounts reconcilliations and compliance you will be responsible for VAT, Corporation Tax Pay & File with exposure to International Tax. Ref E7149

Newly Qualified ACA **£20 - 25K**

An exciting opportunity for a young ACA to understudy the Business Services Manager of a small Progressive practice. Although mainly audit at first, ad hoc consultancy and planning will play an ever larger part. Ref R5457

Contact Robert Morris at:-
Choice Accountancy 42 Berwick Street
London W1V 3RE Tel 0171 439 3995

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